

**Perusahaan Sadur Timah Malaysia  
(Perstima) Berhad**

(Company No. 49971-D)  
(Incorporated in Malaysia)

**Term of Reference  
Of  
Audit Committee**

## 1. **OBJECTIVES**

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:

- a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- c) Determine the adequacy of the Group's administrative, operating and accounting controls.

## 2. **COMPOSITION**

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- a) The audit committee must composed of no fewer than 3 members;
- b) All members of the audit committee should be non-executive directors;
- c) A majority of the audit committee must be independent directors; and
- d) All members of the audit committee should be financially literate and at least one member of the audit committee: -
  - i) Must be a member of the Malaysian Institute of Accountants; or
  - ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - iii) he must be a person who fulfills the requirements as may be prescribed or approved by Bursa Malaysia Securities Berhad and / or such other relevant authorities from time to time.
- e) No alternate Director of the Board shall be appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2 (a) to (e) above, the vacancy must be filled within 3 months of that event.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

### **3. FUNCTIONS**

The functions of the Audit Committee are as follows:

- a) To review the following and report the same to the Board of Directors:
  - i) with the external auditors, the audit plan;
  - ii) with the external auditors, his evaluation of the system of internal controls;
  - iii) with the external auditors, his audit report;
  - iv) the assistance given by the Company's employees to the external auditors; and
  - v) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.
- b) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and the letter of resignation from the external auditors, if applicable;
- c) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- d) To review the quarterly and year-end financial statements of the Company, focusing particularly on:
  - Any changes in accounting policies and practices;
  - Significant adjustments arising from the audit;
  - The going concern assumption;
  - Compliance with accounting standards and other legal requirements;
- e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- f) To review the external auditors' management letter and management's response;
- g) To do the following, in relation to the internal audit function:

- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action are taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit function;
  - Approve any appointments or termination of senior staff members of the internal audit function;
  - Take cognisance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- h) To consider the major findings of internal investigations and management's response;
- i) To ensure the internal audit function is independent of the activities it audits and the head of internal audit reports directly to the Audit Committee. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company; and
- j) To consider other areas as defined by the Board or as may be prescribed by Bursa Malaysia Securities Berhad or any other relevant authority from time to time.

#### **4. RIGHTS OF THE AUDIT COMMITTEE**

The Audit Committee shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company and Group;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) be able to obtain independent professional or other advice; and
- f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the finance director, the

head of internal audit and the external auditors in order to be kept informed of the matters affecting the Group.

## **5. MEETINGS**

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least twice a year the Audit Committee shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular audit committee meeting specific to the relevant meeting.

## **ACTIVITIES OF THE COMMITTEE**

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 31 March 2015 included the following:-

- a) Reviewed the external auditors' scope of work and audit plan for the financial year.
- b) Reviewed with the external auditors the results of the audit and the audit report, management letter and management's response.
- c) Considered and recommended to the Board for approval, the audit fee payable to the external auditors.
- d) Met with the external auditors twice during the year without the presence of the management and executive Board members.
- e) Reviewed the annual report and the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards approved by the regulatory authorities.

- f) Discussed the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and its Practice Notes, the Malaysian Code on Corporate Governance 2012 and the Statement on Internal Control.
- g) Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the Management.
- h) Reviewed the Company's procedures in respect of the recurrent related party transactions to ascertain that the procedures were sufficient to ensure that the related party transactions were not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders.
- i) Updated and advised the Board on the latest changes and pronouncements that may be issued by the accountancy, statutory and regulatory bodies.
- j) Reported to and updated the Board on significant issues and concerns discussed during the Committee meetings and where appropriate made the necessary recommendations to the Board.
- k) Reviewed the effectiveness of the risk management system and risk assessment reports from Group Risk Management Committee. Significant risk issues were summarised and communicated to the Board for consideration and resolution.
- l) Reviewed the internal audit program and plan for the year under review.
- m) Reviewed the internal audit reports and actions taken by the management to improve on the internal controls system.
- n) Met with the Internal auditors twice during the financial year without presence of the management or executive Board members.

#### **INTERNAL AUDIT FUNCTION**

The Audit Committee is supported by the internal audit team whose primary responsibility is to evaluate and report on the adequacy, integrity and effectiveness of the overall system of internal control of the Group. The internal audit function of the Group is outsourced to an independent professional firm who reports directly to the Audit Committee with its findings and recommendations. Any necessary corrective actions after reporting to the Board of Directors by the Audit Committee will be directed by the Board