

**ZHULIAN®**

**ZHULIAN CORPORATION BERHAD**

Company No. 199701000031 (415527-P)

(Incorporated in Malaysia)

TERMS OF REFERENCE  
**AUDIT COMMITTEE**

**1. Objectives**

The primary function of the Audit Committee (“the Committee”) is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group and fulfilling the following oversight objectives on the Group’s activities:

- (a) Assess the Group’s processes relating to its risks and control environment;
- (b) Oversee financial reporting presented by Management to ensure it is factual, reliable and timely;
- (c) Evaluate the internal and external audit processes; and
- (d) Oversee compliance with laws and regulations and observance of a proper code of conduct.

**2. Composition of the Committee**

The Board shall elect and appoint Committee members from amongst its members comprising not fewer than three (3) members, the Committee members must be Non-Executive Directors, with a majority of them being Independent Directors.

The Board shall at times ensure that at least one (1) member of the Committee shall be:

- (a) a member of the Malaysian Institute of Accountants (“MIA”); or
- (b) if he or she is not a member of MIA, he must have at least three (3) years of working experience and:
  - o he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
  - o he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- (c) fulfills such other requirements prescribed or approved by the Bursa Malaysia Securities Berhad (“Bursa Securities”).

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an independent Director. No Alternate Director of the Board shall be appointed as a member of the Committee. The Nominating Committee shall review the terms of office of each of its members annually.

**3. Secretary to the Committee**

The Company Secretary shall be the Secretary of the Committee or in her absence, another person authorised by the Chairman of the Committee.

**4. Meetings**

The Committee shall meet at least four (4) times a year or more frequently as circumstances shall dictate. The Chairman of the Committee will highlight any major issues and any items requiring resolution by the Board.

In addition, the Chairman shall convene a meeting of the Committee if requested to do so by any member, the Internal or External Auditors to consider any matters within the scope and responsibilities of the Committee.

The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Chairman of the Board, the Chief Executive Officer (“CEO”), the Chief Financial Officer (“CFO”) [in this instance also known as the Group Group Finance Manager], the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Company.

A resolution in writing signed by a majority of members (of whom at least one must be an Independent Director) shall be effective for all purposes as if it were a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may consist of a single document or several documents all in like form each signed by one or more members.

#### **5. Reporting Procedures**

The agenda together with relevant explanatory papers and documents shall be circulated to the Committee members prior to each meeting. The Chairman shall annually submit an Audit Committee report to the Board summarising the Committee’s activities during the year and the related significant results and findings and how the Committee has met its responsibilities in discharging its functions and duties for the financial year.

#### **6. Meeting Procedures**

The Committee shall regulate its own procedures, in particular:

- (a) the calling of meetings;
- (b) the notice of at least seven (7) days to be given to such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

#### **7. Quorum**

A quorum shall consist of two (2) members, a majority of members present must be Independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

#### **8. Attendance by Invitation**

The CEO, Executive Directors (ED), the Group Finance Manager, the Internal Auditors and the representative of the External Auditors should normally be invited to attend the meetings. The Committee may invite any person to be in attendance to assist in its deliberations in any particular meeting. However, the Committee should meet with the External Auditors without Executive Board members and Management present at least once a year.

#### **9. Rights of the External Auditors**

The External Auditors have the right to appear and be heard at any meeting of the Committee and their representatives shall appear before the Committee when required to do so by the Committee.

**10. Authority of the Committee**

The Audit Committee should:

- (a) Have authority to seek any information it requires from employees or investigate any activity within its Terms of Reference;
- (b) Have the resources which are required to perform its duties;
- (c) Have full and unrestricted access to all information, documents and officers of the Company and the Group for the purpose of discharging its functions and responsibilities;
- (d) Have unlimited access and direct communications channels with the Internal and External Auditors and Senior Management of the Group and shall 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.
- (e) Be able to obtain outside legal or other independent professional advice as it considers necessary at the expense of the Company;
- (f) Have the power to establish Sub-Audit Committee(s) to carry out certain investigation on behalf of the Committee in such manner as the Committee shall deem fit and necessary; and
- (g) Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements, the Committee shall promptly report such matter to the Bursa Securities.

**11. Duties and Responsibilities**

The duties and responsibilities of the Committee shall be:

- 11.1. To review the Company's and the Group's quarterly results and annual financial statements before submission to the Board, focusing on:
  - (a) Any changes in or implementation of accounting policies and practices;
  - (b) Major judgment areas;
  - (c) Significant adjustments proposed by the External Auditors;
  - (d) Going concern assumption;
  - (e) Compliance with accounting standards;
  - (f) Compliance with Bursa Securities Listing Requirements, financial reporting standards, legal and regulatory requirements;
  - (g) Significant and unusual events; and
  - (h) Significant matters highlighted in the financial statements and significant judgements made by Management.
- 11.2. To review with the External Auditors their audit plan, scope and nature of audit for the Company and the Group, their evaluation of the system of internal control, their audit report, audit findings, their management letter and management's response including previous audit findings and recommendations as well as the assistance given by the Company's employees to the External Auditors;
- 11.3. To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;

- 11.4. To discuss problems and reservations arising from the interim and final audits, and any matters the External Auditors may wish to discuss (in the absence of Management where necessary);
- 11.5. To perform the following, in relation to the internal audit function:
  - (a) 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;
  - (b) Review the internal audit programme and results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of internal audit function;
  - (c) Review the internal audit plan, consider the major findings of the internal audits, internal or fraud investigations and actions and steps taken by Management in response to audit findings;
  - (d) Review any appraisal or assessment of the performance of members of the internal audit function;
  - (e) Approve any appointment or termination of senior staff members of the internal audit function; and
  - (f) Take cognisance of resignations / transfer of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- 11.6. To review any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions or management integrity;
- 11.7. To consider the appointment of the External Auditors and to review whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment, to consider the nomination of a person or persons as External Auditors and the audit fees, the terms of reference of their appointment, and any question of resignation or dismissal;
- 11.8. To review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- 11.9. To verify the allocation of option granted pursuant to the Employee Share Option Scheme, if any;
- 11.10. To report to the Board its activities, significant results and findings;
- 11.11. To review procedures in place to ensure that the Group is in compliance with the Companies Act 1965 as amended from time to time and any re-enactment thereof, Bursa Securities Listing Requirements and other legislative and reporting requirements.
- 11.12. To promptly report such matter to the Bursa Securities if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements;

- 11.13. To discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the External Auditors. The contracts cannot be entered into should include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation;
- 11.14. To review the amount of audit fees and the amount of non-audit fees incurred by the Company on a group basis regularly, as well as the details on the nature of the services rendered if the non-audit fees incurred were significant.
- 11.15. To direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- 11.16. To review and recommend an appropriate risk management strategy so as to ensure that business risks are effectively addressed by the Group;
- 11.17. To review the adequacy and completeness of the Group's risk management process and recommending improvements where required; and
- 11.18. To undertake any such responsibilities as may be agreed by the Committee and the Board.

**12. Review**

The Terms of Reference will be subjected to review from time to time by the Committee or CEO. Any amendments are to be proposed by the Committee and presented to the Board for its approval before becoming effective.