

**TALAM TRANSFORM BERHAD (1120-H)**  
**- TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**Constitution**

The Audit Committee was established by the Board of Directors on 24 February 1994.

**Membership**

The Audit Committee shall be appointed by the Board of Directors from amongst their number and shall consist of not less than 3 members of whom a majority shall be independent directors. An independent director shall be one who fulfills the requirement as provided for in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants (“MIA”), or if he is not a member of the MIA he must have:-

- (i) at least 3 years’ working experience and passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
- (ii) at least 3 years’ working experience and is a member of one of the associations of accountants specified in Part III of the First Schedule of the Accountants Act, 1967; or
- (iii) a degree/masters/doctorate in accounting or finance and at least 3 years’ post qualification experience in accounting or finance; or
- (iv) at least 7 years’ experience being a chief financial officer of a corporation, or having the function of being primarily responsible for the management of the financial affairs of a corporation.

The members of the Audit Committee shall elect a Chairman from amongst their numbers, who shall be an independent director. If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below 3, the Board of Directors shall within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

No alternate director can be appointed as a member of the Audit Committee.

**Authority**

The Audit Committee is granted the authority to investigate any activity of its Company and its subsidiaries within its terms of reference. In particular, the Audit Committee has the authority to:-

- (i) have resources which are required to perform its duties;
- (ii) have full and unrestricted access to any information including any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee;

- (iii) be able to obtain independent professional or other advice; and
- (iv) have direct communication channels with the external and internal auditors.

### **Meeting and Reporting Procedures**

The Audit Committee will meet at least four (4) times a year. A quorum for a meeting shall be two members, both being independent directors. At least twice a year, the Audit Committee shall meet with the external auditors without any executive directors being present. The external auditors may request for a meeting, if they consider necessary.

The directors and employees will attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

The Company Secretary shall be the secretary of the Audit Committee. Minutes of the meetings shall be duly entered in the books provided therefore. The minutes will be circulated to all members of the Board of Directors and shall be presented at the Board of Directors' meeting.

### **Duties and Functions**

The functions and duties of the Audit Committee shall be:-

- (i) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal of the external auditors before making recommendation to the Board of Directors;
- (ii) To discuss with the external auditors before the audit commences, the audit plan, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- (iii) To review the quarterly results and year-end financial statements prior to the approval by the Board of Directors, focusing particularly on:-
  - (a) Any changes in accounting policies and practices;
  - (b) Significant and unusual events;
  - (c) The going concern assumption;
  - (d) Compliance with accounting standards, stock exchange and legal requirements;
- (iv) To review any related party transaction and conflict of interest situation that may arise in the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- (v) To discuss problems and reservations arising from the interim and final audits, and matters the external auditors may wish to discuss (in the absence of management where necessary);

- (vi) In relation to internal audit function:-
  - (a) to review the adequacy of the scope, functions, competency and resources of the internal audit function that it has the necessary authority to carry out its work;
  - (b) to review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - (c) to review any appraisal or assessment of the performance of members of the internal audit function;
  - (d) to approve any appointment or termination of senior staff members of the internal audit function;
  - (e) to take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (vii) To keep under review the effectiveness of internal control system and in particular, review the external auditors' management letter and management's response;
- (viii) To review the audit reports;
- (ix) To review the reports of the Risk Management Committee;
- (x) To prepare periodic reports to the Board of Directors summarising the work performed in fulfilling the Audit Committee's primary responsibilities;
- (xi) To evaluate the performance of the external auditors on yearly basis;
- (xii) To review and approve the non-audit services to be rendered by the external auditors to ensure that these services do not compromise their independence and objectivity; and
- (xiii) To consider other topics, as defined by the Board of Directors.

### **Responsibility**

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Bursa Malaysia Securities Berhad or any serious offence involving fraud and dishonesty committed by the Company or the Group, the Committee has the responsibility to promptly report such matters to the Bursa Malaysia Securities Berhad or any other relevant authorities.

### **Review of the Composition of the Committee**

The term of office and performance of the Audit Committee and each of the members shall be reviewed by the Nomination Committee annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.