



RCE Capital Berhad
Company No. 2444-M

TERMS OF REFERENCE OF AUDIT COMMITTEE

The terms of reference of the Audit Committee are as set out below:

1.0 Composition

- 1.1 The Audit Committee shall be appointed by the Board of Directors (“Board”) from among their number and shall consist of not less than three (3) members, all of whom must be non-executive directors, with a majority of them being independent directors.
- 1.2 All members of the Audit Committee shall be financially literate and at least one (1) member:
- must be a member of the Malaysian Institute of Accountants (MIA); or
 - if he or she is not a member of the MIA, he or she must have at least three (3) years’ working experience and:
 - (a) he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (b) he or she 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
 - fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 1.3 The Chairman of the Audit Committee shall be elected among the members of the Audit Committee, who is not the Chairman of the Board and shall be an independent director.
- 1.4 In the event of any vacancy in the Audit Committee resulting in the non-compliance of the criteria as stated in Paragraph 1.2 and 1.3 above, the Board shall within 3 months, appoint such number of new members as may be required fulfil the requirements.
- 1.5 No alternate director shall be appointed as a member of the Audit Committee.
- 1.6 No former audit partner of the Company’s external auditors shall be appointed to the Audit Committee unless he/she has observed a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

2.0 Quorum and Procedures of Meetings

- 2.1 Meetings shall be held not less than four (4) times in a financial year, although additional meetings may be called at any time by the Chairman upon the request of the external or the internal auditors or at the Chairman’s discretion.



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- 2.2 The quorum of meetings of the Audit Committee shall consist of not less than two (2) members; the 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 among the members present.
- 2.3 The Company Secretary shall act as Secretary of the Audit Committee.
- 2.4 The Audit Committee may, as and when deemed necessary, invite other Board members, senior management personnel, a representative(s) of the external auditors and external independent professional advisers to attend the meetings.
- 2.5 The Audit Committee shall meet with the external auditors, without the presence of the executive board members', at least twice in a financial year and whenever necessary.
- 2.6 Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The minutes of the Audit Committee meeting shall be signed by the Chairman of the said meeting or by the Chairman of the next succeeding meeting. The Chairman shall orally report on the proceedings of each Audit Committee meeting to the Board at the next Board meeting following the Audit Committee meeting.

3.0 Circular Resolution

A resolution in writing signed or approved by letter, telefax or other written electronic communications by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting. All such resolutions shall be forwarded or otherwise delivered to the Secretary and shall be recorded by the Secretary in the minutes book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

4.0 Authority

- 4.1 The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company:
 - (a) have explicit authority to investigate any matter within its terms of reference. It shall have the authority to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Audit Committee.
 - (b) have full and unrestricted access to any information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management.



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- (c) have direct communication channels with the internal and external auditors, and with the 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 Group, whenever deemed necessary.
 - (d) obtain external legal or other independent professional advice from relevant parties and to invite them to attend its meeting, if necessary.
- 4.2 Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Securities Main Market Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.

5.0 Duties and Responsibilities

The Audit Committee shall review and, where appropriate, report to the Board of Directors the following:

- (a) Risk Management and Internal Control
 - The adequacy and effectiveness of risk management, internal control and governance systems instituted in the Company and the Group
 - The Group's risk management policy and implementation of the risk management framework
 - The appointment or termination of members of the risk management committee
 - The report of the risk management committee
- (b) Internal Audit
 - The internal audit function will report directly to the Audit Committee
 - The adequacy of the internal audit scope and plan, functions, competency, resources and budget of the internal audit function and that it has the necessary authority to carry out its work
 - Effectiveness and independence of the internal audit function
 - Any appraisal or assessment of the performance of the internal audit function, including the Head of Internal Audit; and the appointment or termination of the Head of Internal Audit and if deemed necessary, senior staff members of the internal audit function



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(c) External Audit

- The external auditors' audit plan, nature and scope of their audits, including any changes to the planned scope of the audit plan and to ensure an effective coordination of audit where more than one audit firm is involved
- The external auditors' audit report and their evaluation of the system of internal controls
- The appointment and performance of external auditors, the audit fee and any question of resignation or dismissal including any written explanations before making recommendations to the Board, including to review if there is any reason to believe that the external auditors are not suitable for re-appointment
- The assistance given by the employees to the external auditors, and any difficulties encountered in the course of the audit work
- The proper policies and procedures to assess the suitability and independence of external auditors, including obtaining written assurance from external auditors confirming they are, and have been, independent throughout the conduct of audit engagement in accordance with all relevant professional and regulatory requirements
- Any engagement of non-audit services provided by the external auditors and the fee for such service to ensure their independence is maintained

(d) Audit Reports

- Internal and external audit reports together with management's responses to ensure that appropriate and prompt remedial action is taken by the management on major deficiencies in controls or procedures that are identified, including status of previous audit recommendations
- Findings of internal investigations and related management responses

(e) Financial Reporting

- The quarterly results and the year end financial statements of the Company and the Group for recommendation to the Board of Directors for approval, focusing particularly on:
 - (i) changes in or implementation of accounting policies and practices
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed



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- (iii) significant adjustments arising from the audit
 - (iv) going concern assumption
 - (v) compliance with accounting standards and other legal requirements
 - Audit Committee Report and Statement on Risk Management and Internal Control for publication in the Company's Annual Report
- (f) Related Party Transactions
- Any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transactions, procedures or course of conduct that raises questions of management integrity.
- (g) Allocation under Employees' Share Scheme
- Verification on the allocation of shares or options to ensure compliance with the criteria for allocation pursuant to the share scheme for employees of the Group, if any.
- (h) Other Functions
- Any such other functions as the Audit Committee considers appropriate or as authorised by the Board of Directors.

6.0 Term of Office

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

7.0 Review of the Terms of Reference

The Audit Committee shall review and assess the adequacy of this Terms of Reference on a periodic basis determined by the Audit Committee or as and when necessary. Any proposed changes to the Terms of Reference shall be approved by the Board.