



RCE Capital Berhad

Registration No. 195301000151 (2444-M)

TERMS OF REFERENCE OF AUDIT COMMITTEE

The primary objective of the Audit Committee is to assist the Board to discharge its fiduciary responsibilities of overseeing the financial risk processes and accounting and financial reporting practices within the Group, review the quality of the Group's accounting function, financial reporting and internal controls. The Audit Committee also assists in overseeing and appraising the quality of the audits conducted both by the Company's internal and external auditors.

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, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process, 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 (1) 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 Paragraphs 1.1, 1.2 and 1.3 above, the Board shall within three (3) months, appoint such number of new members as may be required to fulfil the requirements.
- 1.5 No alternate director shall be appointed as a member of the Audit Committee.



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1.6 No former partner of the Company's external auditors and/or the affiliate firm (including those providing advisory services, tax consulting etc.) shall be appointed to the Audit Committee unless he/she has observed a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.

1.7 Chairman

The Chairman is responsible for ensuring the overall effectiveness and independence of the Audit Committee.

He shall engage on a continuous basis with senior management such as the Chief Executive Officer, Chief Financial Officer, Head of Internal Auditors and external auditors in order to be kept informed of matters affecting the Group.

The Chairman of the Audit Committee (or in his absence, members of the Audit Committee) shall attend the General Meetings of the Company and be available to answer questions relating to the Audit Committee's activities.

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 internal auditors or at the Chairman's discretion.

2.2 The quorum of meeting 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 Secretaries shall act as Secretaries of the Audit Committee.

2.4 The Audit Committee may, as and when deemed necessary, invite other Board members, senior management personnel, representative(s) of the external auditors and internal 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 executive Board members and management personnel, at least twice in a financial year and whenever necessary.



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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 Secretaries and shall be recorded by the Secretaries 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 of the Company and the Group;
- (c) have direct communication channels with the internal and external auditors, and with 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 executive 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.



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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 on 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.
- Review and approve the internal audit charter which defines the purpose, authority and responsibilities 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.

(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.



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- 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, objectivity and independence of external auditors to safeguard the quality and reliability of audited financial statements, including:
 - (i) obtaining written assurance from external auditors on an annual basis confirming that they are, and have been, independent throughout the conduct of audit engagement in accordance with all relevant professional and regulatory requirements;
 - (ii) conducting annual assessment on the performance, suitability and independence of the external auditors, taking into consideration the following key factors:
 - (a) adequacy of audit scope and ability to meet audit deadlines;
 - (b) competency and quality of services rendered over the past financial year;
 - (c) sufficiency of resource allocated during the course of audit;
 - (d) effectiveness of the external auditors' recommendations in addressing weaknesses, if any, observed during the audits, particularly on internal controls relevant to financial reporting process;
 - (e) timeliness in escalating audit issues to the Audit Committee;
 - (f) communication and interaction with the Board, Audit Committee and Management;
 - (g) independence, objectivity and professional skepticism exhibited; and
 - (h) the information presented in the Annual Transparency Report of the external auditors;
 - (iii) assess the appropriateness of audit fees to support a quality audit;
 - (iv) assess the nature and extent of non-audit services rendered by the external auditors and their affiliated companies or firms, and the level of fees paid for such services relative to audit fees in accordance with the Company's Policy on Provision of Non-Audit Services by External Auditors to ensure that the independence of the external auditors is not compromised.



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(d) Audit Reports

- Internal and external audit reports together with management's responses to ensure that appropriate and prompt remedial action is taken by 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 for approval, focusing particularly on:
 - (i) changes in or implementation of accounting policies and practices;
 - (ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (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 within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.



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(g) Conflict of Interest

- Review and report to the Board any conflict of interest situation that arose, persist or may arise within the Company or the Group and the measures taken to resolve, eliminate, or mitigate such conflicts.
- Provide a summary of any conflict of interest or potential conflict of interest situation within the Company or the Group that the Audit Committee has reviewed (excluding a related party transaction) and the measures taken to resolve, eliminate or mitigate such conflicts, for disclosure in the Audit Committee Report of the Company's Annual Report.

(h) 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.

- (i) To oversee the implementation of whistleblowing policy and procedures, and Anti-Bribery and Corruption Policy of the Group.

(j) Other Functions

Any such other functions as the Audit Committee considers appropriate or as authorised by the Board.

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 & 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.

Updated on 8 February 2024