

MCE HOLDINGS BERHAD

(Company No. 1158341-K)

(Incorporated in Malaysia)

TERMS OF REFERENCE FOR AUDIT COMMITTEE

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The terms of Reference of the Audit Committee are as follows :

FORMATION

The Board pursuant to its resolution formed the Audit Committee on 13 June 2016.

I. MEMBERSHIP

1. The Audit Committee shall be appointed by the Board of Directors and shall be comprised of a minimum of three (3) Directors subject to a maximum of five (5) Directors or such number as may be determined by the Board of Directors from time to time.
2. All Audit Committee members must be Non Executive Directors, with a majority of them being Independent Directors as defined in Bursa Malaysia Securities Berhad Listing Requirements.
3. The members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director; and
4. At least one (1) member of the Audit Committee:-
 - i) must be a member of the Malaysian Institute of Accountants ('MIA'), or
 - ii) if he is not a member of the MIA, he must have at least 3 years' working experience and:-
 - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.
 - iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
5. No Alternate Director shall be appointed as a member of the Audit Committee.
6. If a member of the Audit Committee retires, resigns, dies or for any reason ceases to be a member resulting in the non-compliance of paragraph 1 and 4 above, the Board shall within three (3) months of these events, fill the vacancy
7. The company secretary or such other person as the Audit Committee may determine shall be the Secretary of the Audit Committee.

II. POLICY

It is the policy of Company to establish an Audit Committee to provide assistance to the Board in relation to fulfillment of the Board's statutory as well as fiduciary responsibilities and ensure that the internal and external audit functions of the Group are being carried out adequately and effectively.

III. DUTIES AND FUNCTIONS

The Audit Committee shall review, report and make recommendations to the Board on the following matters:-

1. The appointment of the external auditors, the audit fee and any questions of re-appointment, resignation or dismissal and in particular to assess the suitability and independence of the external auditors on an annual basis.
2. To review with the external auditors;-
 - * the audit plan and the audit reports;
 - * their evaluation of the system of the internal controls;
 - * their audit report;
 - * their management letter and management's response;
 - * the assistance given by the Company's employees to the external auditors; and
 - * to discuss problems and reservations arising from the interim and final audit, and any matter the auditors may wish to discuss (in the absence of management where necessary).
4. To review:-
 - the quarterly and year-end financial statements of the Company and Group prior to the approval of the Board of Directors, and thereafter to submit them to the Directors of the Company focusing particularly on:-
 - i) changes in or implementation of major accounting policies and practices;
 - ii) significant matters highlighted including financial reporting issues, significant adjustments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - iii) the going concern assumption; and
 - iv) compliance with applicable financial and accounting reporting standards and other legal requirements.
 - 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.
5. Establishment of an internal audit function which is independent of the activities it audits and in relation thereto:-
 - ensure that the head of the internal audit function reports directly to the Audit Committee;
 - review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - review the internal audit programme, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is 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 appointment or termination of senior staff members of the internal audit function;
 - inform itself of changes in personnel of the internal audit staff members and make available the opportunity for resigning staff members to submit his reasons for resigning; and
 - conduct regular reviews and appraisals of the effectiveness of the governance, risk management and internal controls processes within the company.
6. To propose best practices on disclosure in financial results and annual reports of the Company in line with the principles and spirit set out in the Malaysian Code of Corporate Governance, other applicable laws, rules, directives and guidelines.

IV. AUTHORITY

The Audit Committee is authorised by the Board to :-

- a) investigate any matter or activity 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 (if any);
- e) obtain independent professional or other advice when needed and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary; and
- f) convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

V. PROCEDURE OF AUDIT COMMITTEE

1. The Committee may meet together for the despatch of business, adjourn and subject to Article 108 to 110 otherwise regulate their meetings as they think fit, provided that the Committee shall meet at least four (4) times in a calendar year.
2. Any member of the Committee may at any time and the Secretary shall on such request summon a meeting of the Committee.
3. At least seven (7) days notice of a meeting of the Committee shall be given to all Committee Members in writing at his last known address or other address given by him for the purpose. The Committee Members may meet on shorter notice and waive notice of any meetings as they deem necessary subject to the consent and agreement of all Committee Members.

The quorum necessary for the transaction of business shall be two (2) comprised of a majority of Independent Directors.

4. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.
5. The external auditors may request a meeting if they consider that one is necessary and the Chairman upon such request will convene a meeting for the purpose.

The external auditors shall have the right to appear and be heard at any meetings of the Committee.

The Committee shall meet with the external auditors at least twice a year and if deemed necessary without the presence of any executive Board member.

6. The Financial Controller / Head of Finance, the Head of Internal Audit shall normally attend meetings or be excluded at the discretion of the Chairman. The Chairman shall, where he deems appropriate, invite any other Board members, employees, third party professionals and/or any person(s) with the relevant experience and expertise to attend any meetings of the Committee.

7. The Committee shall cause minutes to be duly entered into books provided for the purposes:-
 - a) of the names of all committee members and other participants at each meeting of the Committee;
 - b) of all resolutions and proceedings of committee meetings; and
 - c) of all orders, recommendations and reports made by the Committee.

Such minutes shall be signed by the Chairman of the Committee at which the proceedings were held or by the Chairman of the next succeeding meeting, and if so signed, shall be conclusive evidence without any further proof of the facts therein stated.

8. The books containing the Minutes of proceedings of the Committee shall be kept by the Company at the Registered Office of the Company subject to the provisions of the Companies Act, 1965, relating to keeping of Minutes of the Board of Directors and any Committee of the Board of Directors.