

PEKAT GROUP BERHAD
[Registration No. 201901011563 (1320891-U)]
(Incorporated in Malaysia)
("PEKAT" or "the Company")

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1.0 OBJECTIVES

The principal objectives of the Audit Committee ("**AC**" or "**the Committee**") are to assist the Board of Directors ("**Board**") in discharging its statutory and fiduciary duties and responsibilities relating to accounting and financial reporting practices of the Company and its subsidiaries ("**the Group**"). In addition, the AC shall monitor the integrity of the financial statements, review the audits performed by the internal and external auditors and ensure compliance with applicable laws, regulations and corporate governance standards.

2.0 COMPOSITION

The AC shall be appointed by the Board from among its members and shall consist of not fewer than three (3) members. All AC members must be non-executive directors, with a majority of them being independent directors. The Chairman of the AC shall not be the Chairman of the Board.

*In this respect, the Board adopts the definition of "Independent Director" as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**").*

Collectively, the AC should possess a wide range of necessary skills to discharge its duties. All members of the AC shall be financially literate and are able to understand the matters under the purview of the AC including the financial reporting process. At least one (1) member of the AC must be:-

- (a) a member of the Malaysian Institute of Accountants ("**MIA**"); or
- (b) if he/she is not a member of MIA, he/she must have at least three (3) years of working experience and:
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the AC cease to be a Director of the Company, his membership in the AC will cease forthwith.

No alternate director shall be appointed as a member of the AC.

No former audit partner of the Company's external audit firm shall be appointed as a member of the AC unless the said former audit partner has observed a cooling-off period of at least three (3) years before being appointed as a member of the AC. The former partner herein refers to all former partners of the audit firm and/or affiliate firm (including those providing advisory services, tax consulting etc).

All members of the AC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Retirement and resignation

If a member of the AC resigns, pass away, or for any reason ceases to be a member resulting in non-compliance with the composition criteria as stated in paragraph 2 above, the Board shall within three (3) months of the event, appoint such number of new member(s) as may be required to fill the vacancy.

3.0 CHAIRMAN

The Chairman of the AC shall be an Independent Non-Executive Director appointed by the Board from amongst the AC members and who shall not be the Chairman of the Board.

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

The Chairman of the AC together with other members of the AC should ensure amongst others that:-

- the AC is fully informed about significant matters related to the Company's audit and its financial statements and address these matters;
- the AC appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
- the AC's concerns on matters that may have an effect on the financial or audit of the Company are communicated to the external auditors; and
- there is co-ordination between internal and external auditors.

4.0 SECRETARY(IES)

The Secretary(ies) of the AC shall be the Company Secretary(ies) of the Company.

The Secretary(ies) shall be responsible for drawing up the agenda and circulating it prior to each meeting and keeping the minutes of meetings of the AC.

5.0 **MEETINGS**

The AC meets at least five (5) times annually and such additional meetings as the Chairman may call at any time at the Chairman's discretion.

Notice calling for a meeting of the AC shall be given to all its members at least five (5) calendar days before the meeting or at shorter notice as the Committee shall determine.

The Chairman of the AC shall chair the AC meetings. In the absence of the Chairman of the AC, members present shall elect a chairman for the meeting from amongst the Independent Directors.

Matters at any meeting shall be decided by a majority vote of the members present, each member having one (1) vote. In the event of equality of votes, the Chairman of the AC shall have a second or casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman of the AC will not have the second or casting vote.

Upon the request of the external auditors, the Chairman of the AC shall convene a meeting of the AC to consider any matter the external auditors believe should be brought to the attention of the AC, the Board or the shareholders.

The Chairman of the AC shall engage on a continuous basis with the Chairman of the Board, the Managing Director, Chief Executive Officer, Chief Financial Officer, internal auditors and external auditors in order to be kept informed of matters affecting the Company.

The Chief Financial Officer and a representative of the internal and external auditors respectively should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the AC. The AC shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least once a year with the external auditors.

A member of AC may participate in a meeting of AC by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

6.0 **MINUTES**

Minutes of each meeting shall be kept at the registered office and distributed to each member of the AC and also to the other members of the Board.

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The minutes of the AC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

7.0 QUORUM

The quorum shall consist of at least two (2) members, the majority of whom must be independent directors.

8.0 CIRCULAR RESOLUTION

A resolution in writing signed by a majority of the AC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the AC duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more AC members. Any such document may be accepted as sufficiently signed by an AC member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an AC member.

9.0 REPORTING

The AC, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each AC meeting. When presenting any recommendation to the Board, the AC will provide such background and supporting information as may be necessary for the Board to make an informed decision.

10.0 AUTHORITY

The Company must ensure that wherever necessary and reasonable for the performance of its duties, the AC 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, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the AC;
- (b) have full and unrestricted access to all 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 Group;
- (c) obtain independent professional advice or other advice and invite person with relevant experience to attend its meetings, if necessary;
- (d) have direct communication channels with the internal and external auditors and person(s) carrying out the internal and external audit functions or activities (if any);

- (e) where the AC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the AC shall promptly report such matter to Bursa Securities; and
- (f) be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity, or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

11.0 ROLES AND RESPONSIBILITIES

The duties and responsibilities of the AC are as follows:-

- (a) To review the engagement, performance, qualifications and independence of the external auditors, its conduct of the annual statutory audit of the financial statements, and the engagement of external auditors for all other services;
- (b) To consider the appointment and re-appointment of the external auditors, the audit fee and any question of resignation or dismissal, including the review of any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- (c) To discuss with the external auditors before the audit commences, the audit plan, particularly the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (d) To review with the external auditors the evaluation of the system of internal controls and the audit report;
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditors' management letter and management's response;
- (g) To review and recommend the quarterly and annual financial statements for approval by the Board before announcement to regulatory bodies, focusing particularly on –
 - any change or implementation of major accounting policies and practices
 - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed

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- significant adjustments arising from the audit
 - the going concern assumption
 - compliance with applicable financial reporting standards and other legal requirements
- (h) To demonstrate an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements;
- (i) To review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance;
- (j) To report its findings on the financial and management performance, and other material matters to the Board.
- (k) To conduct periodic review of the involvements of the Managing Director and Executive Directors in the companies outside of the Group, in which they have executive functions to ensure that it does not affect their role and responsibilities within the Group;
- (l) To do the following, in relation to the internal audit function:
- (i) consider and approve the appointment of internal auditors, internal audit fee and any question of resignation or dismissal;
 - (ii) review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (iii) review the internal audit plan and results of the internal audit assessments and investigation undertaken, and ensure that appropriate action is taken on the recommendations of the internal auditors;
 - (iv) consider the internal audit reports and findings by the internal auditors, fraud investigations and actions and steps taken by the management in response to audit findings;
 - (v) review and decide on the budget allocated to the internal audit function;
 - (vi) appraise or assess the performance of internal auditors; and
 - (vii) maintain a direct line of communication between the Board with internal audit and monitor the overall performance of the Company's internal audit function;
- (m) To review the adequacy and effectiveness of risk management, internal control and governance systems;

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- (n) To consider the major findings of internal investigations and the Management's response;
- (o) To review and monitor any related party transaction/business dealings entered into by the Group and any conflict of interest situation that may arise within the Group to ensure that they are conducted on arms' length basis and based on terms that are fair to the Group;
- (p) To verify the allocation of Employees' Share Option Scheme ("**ESOS**") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (q) To perform the oversight function over the administration of whistleblowing policy that is approved and adopted by the Board and to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs;
- (r) To monitor the Company's compliance with relevant laws, regulations and code of conduct;
- (s) To consider and examine such other matters as the AC considers appropriate; and
- (t) To perform such other functions as may be requested by the Board.

12.0 APPROVAL OF NON-AUDIT SERVICES

All engagements of the external auditors to provide non-audit services which value in aggregate exceed 50% of the latest Group's audit fees are subject to the approval/endorsement of the AC. Prior approval of the AC must be obtained before commencement of these non-audit services.

13.0 REVIEW OF AC

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

History

| Event | Effective Date |
|--|-----------------------|
| Establishment | 21 February 2022 |
| Revision of the Terms of Reference following the separation of functions between the Audit Committee and Risk Management Committee | 21 May 2026 |