



**MTOUCHE TECHNOLOGY BERHAD
(Company No.: 656395-X)**

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition of the Audit Committee

- 1) The Committee shall be appointed by the Board from amongst their numbers and shall comprise no fewer than three (3) members. All the Committee members must be non-executive directors, with a majority of them being independent directors. At least one (1) member:
 - (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 three (3) years of working experiences and:
 - He must have passed the examination specified in Part I of the 1st Schedule of the Accountant Act 1967; or
 - He must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 2) No alternate director shall be appointed as a member of the Committee.
- 3) In the event of any vacancy in the Committee resulting that the number of members is reduced to below three (3) or there is no Chairman in the non-compliance of item 1(i), the vacancy shall be filled within three (3) months. Therefore, a member who wishes to retire or resign should provide written notice of three (3) months to the Company so that a replacement may be appointed before he leaves.
- 4) All the members, including the Chairman, will hold office so long as they serve as Directors of the Company. The term of office and performance of the Committee and each of its members must be reviewed by the nomination committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
- 5) In case a former key audit partner is being nominated as a member of the Committee, he shall observe a cooling-off period of at least two (2) years before being appointed as a member of the Committee.

2. Chairman

- 1) The Chairman, who shall be elected by the Committee, shall be an independent director.

• **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

- 2) If the Chairman is not present at a meeting within fifteen (15) minutes after the time appointed for holding the meeting, the members may elect one (1) of their numbers to be the Chairman of the meeting.
- 3) The role of the Chairman is planning and conducting meetings, overseeing reporting to the Board, encouraging open discussion during meetings, and developing and maintaining active on-going dialogue with Management, the internal auditors and the external auditors.
- 4) The Chairman should engage on a continuous basis with senior Management, such as the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company such as the Company's reporting process, internal controls, risk management and governance with the aim to ensure effectiveness and efficiency of the internal control systems and the risk management framework.

3. Secretary

- 1) The Company Secretary or her nominee shall act as Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary or her nominee shall be in attendance at each Committee meeting and record the proceedings of the meeting thereat and minute the resolutions.

- 2) The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Committee at the Registered Office of the Company.

4. Meetings

- 1) The Committee shall meet at least four (4) times in each financial year.

The Committee may call for a meeting as and when required depending on the level of responsibility and complexity of the Group with reasonable notice as the Committee Members deem fit.

The Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

- 2) The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent. The Committee at which a quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.
- 3) All decisions at such meeting shall be decided on a show of hands on a majority of votes. The Chairman shall have a casting vote.
- 4) The internal auditors, the external auditors and Management may attend at any meeting at the invitation of the Committee and shall appear before the Committee when required to do so by the Committee.

• **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

- 5) The internal auditors and the external auditors may also request a meeting if they consider it is necessary (and/or believe the matter should be brought to the attention of the Committee and/or the Board) and have the right to appear and be heard at any meeting of the Committee.
- 6) The Secretary or his/her nominee shall minute the proceedings and resolutions, including the names of all attendees. Draft minutes of meetings of the Committee shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other directors, unless a conflict of interest exists.
- 7) The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.
- 8) Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the AC member either personally or by fax or e-mail, fax, or by post or by courier to his/her registered address as appearing in the Register of Directors or to the address provided by the AC member, as the case may be.
- 9) In the event the AC require matters to be approved by way of a written resolution, a resolution in writing signed or approved by letter or telefax or other electronic means by all members of the AC, 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 be executed in any number of counterparts, each signed by one or more members of the AC all of which taken together and when delivered to the Secretary shall constitute one and the same resolution.

5. Rights of the Audit Committee

The Committee shall:-

- (a) have authority to investigate any matter within its terms of reference and have the right of direct access to anyone in the Company to conduct a special investigation to be carried out for fraud, violation of code of conduct or an illegal act;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the external auditors and the internal auditors;
- (e) have the right to obtain independent professional or other advice and to invite outside experts or advisors such as valuers, or tax consultants with relevant experience and expertise to attend the Committee meetings (if required) and to brief the Committee at the Company's expense;
- (f) have the right to convene meetings with the Internal auditors and the External auditors, excluding the attendance of the executive board members, Management or employees of the Group, whenever deemed necessary;
- (g) promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board resulting in a breach of the listing requirements;
- (h) have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise; and
- (i) meet as and when required on a reasonable notice.

6. Duties and Responsibilities

The Committee, as required by applicable laws, rules, or regulations and otherwise to the extent it deems necessary or appropriate, shall include:-

(1) External Audit

- (a) consider the appointment or re-appointment of auditors, the audit fee and any questions of resignation or dismissal or cessation of office or removal, including recommending the nomination of person or persons as auditors to the Board.
- (b) have policies and procedures to assess the suitability, objectivity and independence of External Auditors.
- (c) review with the External Auditors on:-
 - (i) the audit plan, its scope and nature;
 - (ii) the audit report;
 - (iii) the results of their evaluation of the accounting policies and systems of internal controls within the Group;
 - (iv) the assistance given by the officers of the Company to them, including any difficulties or disputes with Management encountered during the audit;
 - (v) management letter and/or major findings of internal investigations and Management's response therein; and
 - (vi) the nature and extent of the non-audit services rendered by the External Auditors and the appropriateness of the level of fees.
- (d) review with Management:-
 - (i) audit reports and management letter issued by the External Auditors and the implementation of audit recommendations;
 - (ii) interim financial information/report; and
 - (iii) the assistance given by the officers of the Company to the External Auditors.
- (e) discuss with the External Auditors before they commence the nature and scope of the audit and ensure coordination where there are more than one (1) audit firm is involved.
- (f) Review the fees and expenses paid to the external auditors, including fees paid for non-audit services during the year and assessed the independence of the external auditors for the re-appointment as external auditors. The Audit Committee is of the opinion that the independence of the external auditors has not been compromised based on the independent confirmation provided by the external auditors.
- (g) Conduct private meetings with the External Auditors without the presence of Executive Directors or employees of the Group.

(2) Internal Audit

- (a) discuss problems and reservations arising from interim and final audits, and any matter the internal auditors may wish to discuss (in the absence of Management where necessary).

• **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

- (b) 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.
- (c) review the internal audit plan, processes the internal audit reports, recommendations raised, investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (d) oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance.
- (e) review any appraisal or assessment of the performance of members of the internal audit function and be satisfied that the internal audit should be carried out objectively and is independent from Management of the Company and the functions which it audits, and report its findings directly to the Committee.
- (f) approve any appointment, termination or change of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(3) Risk Management and Internal Control

- (a) recommend such measures as to be taken by the Board on the effectiveness of the system of internal control and risk management practices of the Group.
- (b) evaluate the quality and effectiveness of Company's internal control system and management information systems, including in compliance with applicable laws, rules, corporate governance requirements and guidelines.
- (c) recommend to the Board the Directors' Statement on Risk Management and Internal Control and any changes to the said Statement.
- (d) assist the Board in identifying the principal risks, review and assess the effectiveness of the risk management framework and internal control systems based on the reports and recommendations from the internal auditors and report to the Board on its findings.

(4) Whistleblowing and fraud

- (a) review the Company's arrangements for its employees to raise concerns, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and review the Company's procedures for detecting fraud.

(5) Overseeing Financial Reporting

- (a) review and deliberate the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on: –

• **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

- any changes in or implementation of accounting policies and practices;
 - significant or material adjustments with financial impact arising from the audit;
 - significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
 - the going concern assumptions;
 - the appropriateness of Management's selection of accounting policies and disclosures in compliance with approved accounting standards and other regulatory requirements; and
 - compliance with applicable financial reporting standards.
- (b) monitor the integrity of the financial statements of the Company.
- (c) assess whether the financial report represents a true and fair view of the Company's performance and ensure compliance with the regulatory requirements.
- (d) To propose best practices on disclosure in the financial statements and the annual reports of the Company, to be in line with the recommendations set out in the Malaysian Code of Corporate Governance and other applicable rules and regulations.
- (6) Reviewing conflict of interests situations and related party transactions
- (a) review and monitor the related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Board reports such transactions annually to the shareholders via the annual report.
- (b) review conflict of interests situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of Management's integrity.
- (7) Reporting Responsibilities
- (a) report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) make recommendations to the Board as and when it deems appropriate on any area within its remit where action or improvement is needed.
- (8) Other Matters
- (a) verify the allocation of options pursuant to a share scheme for employees to ensure in compliance with the criteria for allocation of options under the share scheme, at the end of each financial year.
- (b) report to Bursa Securities, if there is any related party transaction which exceeded the Shareholders' Mandate and provide full reasoning and detailed explanations.

7. Terms of Reference

The terms of reference should be assessed, reviewed and updated at least once every three (3) years by the Committee or as and when there are changes to the Malaysian Code on Corporate Governance 2017 and the ACE Market Listing Requirements of Bursa Securities that may have an effect on the Committee's responsibilities

The Committee should recommend any change to the terms of reference to the Board for approval.

Reviewed and adopted on [22/10/2018].

Supersedes and replaces all prior versions as from the effective date.