



## **PMB TECHNOLOGY BERHAD**

Registration No. 200201016594 (584257-X)

### **AUDIT COMMITTEE (TERMS OF REFERENCE)**

#### **1. OBJECTIVES**

The objective of the Audit Committee is to assist the Board of Directors in meeting its responsibilities for the oversight of:-

- the financial reporting process;
- the system of Risk Management and Internal Control;
- the internal and external audit process; and
- the conflict of interest situations and related party transactions.

In addition, the Audit Committee shall:-

- a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors, including issues pertaining to the internal control within the Company and its subsidiaries (“Group”);
- b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- c) Determine the adequacy of the Group's administrative, operating and accounting controls.

#### **2. COMPOSITION**

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfills the following requirements:-

- a) The Audit Committee must be composed of not fewer than 3 members;
- b) All members of the Audit Committee must be independent non-executive directors;
- c) The Chairman of the Board shall not be a member of the Audit Committee;

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- d) All members of the Audit Committee should be financially literate and at least one member of the Audit Committee:-
- (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
    - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
    - 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; or
  - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.
- e) No alternate Director of the Board shall be appointed as a member of the Audit Committee;
- f) For engagement of a former key audit partner as member, there is a cooling-off period of at least 3 years before being appointed as member of Committee; and
- g) The appointment of Audit Committee member terminates when the member ceases to be a Director, or as determined by the Board.

In the event of any vacancy in the Audit Committee (including Chairman) resulting in the non-compliance of item 2 (a) to (d) above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within 3 months of that event.

The Board of Directors must via Nomination Committee review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with its Terms of Reference.

3. ***CHAIRMAN***

- a) The Chairman of the Audit Committee shall be an Independent Non-Executive Director elected amongst the members of the Audit Committee;
- b) In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst themselves;

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- c) The Chairman together with other members of the Audit Committee ensure that:-
  - (i) the Audit Committee is fully informed about significant matters related to the Group's audit and its financial statements and addresses these matters;
  - (ii) the Audit Committee appropriately communicate the insight, views and concerns about relevant transaction and events to internal and external auditors;
  - (iii) Audit Committee's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the external auditor; and
  - (iv) there is co-ordination between internal and external auditors.
- d) The Chairman should engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company.

4. ***DUTIES***

The duties of the Audit Committee are as follows:-

**External Auditors**

- a) To review the following and report the same to the Board of Directors:-
  - (i) the audit plan, nature, scope and plan of the audit before audit commences and ensure co-ordination where more than one audit firm is involved;
  - (ii) any significant audit findings, reservations, difficulties encountered or material weaknesses reported;
  - (iii) with the external auditors, the audit report;
  - (iv) the assistance given by the Company's employees to the external auditors, including any difficulties or disputes with Management encountered during the audit;
  - (v) the annual evaluation of the performance of the external auditors, including the suitability, objectivity and independence of the external auditors which takes into consideration the following:-

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- the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
  - the competence, audit quality and resource capacity of the external auditors in relation to the audit;
  - the nature and extent of the non-audit services tendered and the appropriateness of the level of fees; and
- (vi) written assurance from the external auditors confirming that they are, and have been independent through the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirement.
- b) In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's external auditors); Management is required to seek clearance from the Audit Committee and state the details on the nature of non-audit services rendered in the Audit Committee's Report;
- c) To nominate and recommend the appointment or re-appointment of the external auditors, and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors, if applicable and report the same to the Board. In considering the appointment or re-appointment of the external auditors, to consider among others<sup>1</sup>:-
- (i) the adequacy of the experience and resources of the accounting firm;
  - (ii) the persons assigned to the audit;
  - (iii) the accounting firm's audit engagements;
  - (iv) the size and complexity of the Group being audited; and
  - (v) the number and experience of supervisory and professional staff assigned to the particular audit.

The Audit Committee is to also consider the performance of the external auditors and its independence inter-alia:-

- (i) the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (ii) the competence, audit quality and resource capacity of the external auditors in relation to the audit;

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- (iii) the information presented in the Annual Transparency Report<sup>2</sup> of the audit firm.

If the audit firm is not required to issue an Annual Transparency Report, the Audit Committee is encouraged to engage the audit firm on matters typically covered in Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the audit firm to uphold audit quality and manage risks;

- (iv) the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee;
- (v) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors; and
- (vi) obtaining assurance from the external auditors (written or other modes) confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

*Note:*

<sup>1</sup> To the extent permissible pursuant to the applicable rules, laws and regulations of each jurisdiction in which the Group operates and the framework adopted by the Group for appointment of statutory auditors for statutory audit and non-audit services.

<sup>2</sup> Annual Transparency Report is issued by audit firms registered with the Audit Oversight Board (AOB) where (i) the audit firms have more than 50 public interest entity (PIE) audit clients; and (ii) total market capitalisation of the audit firm's PIE clients above RM10 billion at the end of the calendar year for two (2) consecutive years.

- d) To discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditors may wish to discuss (in the absence of management, where necessary);
- e) To review the external auditors' management letter and management's response; and
- f) To review the statement of Internal Control for inclusion in the Annual Report.

**Internal Audit**

- a) To do the following, in relation to the internal audit function:-
- (i) Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - (ii) Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors;
  - (iii) Review any appraisal or assessment of the performance of members of the internal audit function;
  - (iv) Approve any appointment or termination of the internal auditors;
  - (v) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - (vi) Investigate or cause to be investigated any activity within its Terms of Reference; and
  - (vii) To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.
- b) To discuss and review the major findings of any internal investigations and the management's response;
- c) To ensure the internal audit function is independent of the activities it audits and the internal auditor reports directly to the Committee. The internal auditor should have relevant qualifications and be responsible for providing assurance to the Committee that the internal controls are operating effectively. The internal auditor will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Group; and
- d) To review the adequacy and effectiveness of the risk management process to identify key original risks and the systems/processes in place to monitor and manage risks prepared by the Internal Auditors.

**Related Party Transactions**

- a) Review 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 and the framework to be established.
- b) Review conflict of interest 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; and
- c) Ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.

**Whistleblowing and fraud**

- a) Ensure that proper investigations are carried out, on a timely basis, for substantiated cases reported by any whistleblower to the Chairman of the Board or the Chairman of the Audit Committee, and report the results and conclusion of such investigations, with the appropriate cause of action shall be recommended to the Board for approval, in accordance with the Group's whistleblowing policy; and
- b) Review the Group's policies and procedures for detecting fraud.

**Financial Reporting**

- a) Review the quarterly and year-end financial statements of the Company, focusing particularly on:-
  - (i) Any changes in or implementation of major 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 being addressed;
  - (iii) The going concern assumption; and
  - (iv) Compliance with accounting standards and other legal requirements.

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- b) Monitor the integrity of the financial statements of the Group;
  - (i) Assess whether the financial reports represent a true and fair view of the Group's performance and ensure compliance with the regulatory requirements;
  - (ii) To ensure the competency of the accounting staff and adequacy of the resources and infrastructure of the finance function; and
  - (iii) To propose best practices on disclosure in the financial statements and the annual reports of the Group, to be in line with the recommendations set out in the Malaysian Code of Corporate Governance and other applicable rules and regulations.

**Other matters**

- a) Verify the allocation of shares and/or options pursuant to the share issuance scheme for employees to ensure in compliance with the criteria for allocation of shares and/or options under the share issuance scheme, at the end of each financial year;
- b) To report promptly any matters resulting in the breach of Main Market Listing Requirements of Bursa Securities to the Board. Where the Audit Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Audit Committee shall promptly report such matter to Bursa Securities;
- c) To consider other areas as defined by the Board or as may be prescribed by Bursa Malaysia Securities Berhad or any other relevant authority from time to time; and
- d) Carry out any other function that may be mutually agreed upon by the Audit Committee and the Board.

4. ***AUTHORITY***

The Audit Committee shall, whenever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- a) have explicit authority to investigate any matter within its terms of reference;
- b) have the resources which it needs to perform its duties;



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- c) have full and unrestricted access to any employee and information, documents and resources pertaining to the Group in the course of performing its duties;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) be able to obtain independent professional or other advice as and when necessary;
- f) be able to convene meetings with the external auditors, the persons carrying out the internal audit function or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary; and
- g) be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or Listing Requirements of Bursa Malaysia Securities Berhad has occurred and has not been satisfactorily resolved.

The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Chairman, the Chief Executive Officer, the Financial Controller, the internal audit and the external auditors in order to be kept informed of matters affecting the Group.

5. ***MEETINGS***

The Audit Committee shall meet at least 4 times a year on a quarterly basis and such additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least twice a year the Audit Committee shall meet with the internal and external auditors without any executive Board members and management present.

The Chairman may call a meeting of the Audit Committee at the request of any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or his/her representative or other appropriate senior officer 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, supported by explanatory documentation to committee members prior to each meeting.

The Company Secretary or his/her representative or other appropriate senior officer shall also be in attendance at each Audit Committee meetings and responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

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The quorum for a meeting shall be 2 members of the Audit Committee who are both independent directors.

Only members of the Audit Committee have the right to attend Committee meetings. However, the Financial Controller, internal audit and external audit lead partner will be invited to attend meetings of the Audit Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

By invitation of the Audit Committee, the Chief Executive Officer and other appropriate officer(s) may be invited to attend the Audit Committee, where their presence are considered appropriate as determined by the Audit Committee Chairman.

An Audit Committee member shall excuse himself/herself from the meeting during discussion or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this cause insufficient directors to make up a quorum, the Audit Committee has the right to appoint another director(s) which meets the membership criteria.

The Audit Committee members may participate in a meeting of 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.

Unless a meeting is called on a short notice basis, the notice and agenda for each meeting shall be circulated at least five (5) days before each meeting to Audit Committee members and all those who are required to attend the meeting. Written materials including Board papers and information requested by Audit Committee from Management shall be received together with the agenda for the meetings.

The Audit Committee may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members. Any such document may be accepted as sufficiently signed by an Audit Committee member if transmitted to the Company by email, facsimile or other electronic means or digital written message/application to include a signature of an Audit Committee member.

6. **ANNUAL GENERAL MEETING**

The Chairman of the Audit Committee should attend the Annual General Meeting to answer any shareholder questions on the Audit Committee's activities.

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7. *REPORTING RESPONSIBILITIES*

The Audit Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

The Audit Committee shall compile a report on its activities to be included in the Company's annual report. The report should include the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member, summary of the work of the Audit Committee in the discharge of its functions, duties for that financial year and how it has met its responsibilities as well as a summary of the work of the internal audit function.

8. *MINUTES*

The minutes of meetings of the Audit Committee shall be circulated to all members of the Board. The minutes shall be kept at the registered office of the Company under the custody of the Secretary of the Company and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to the approval of the Audit Committee.

9. *REVISION OF THE TERMS OF REFERENCE*

- Any revision or amendment to this Terms of Reference, as proposed by the Audit Committee or any third party, shall first be presented to the Board for its approval.
- Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

10. *APPROVAL*

This Terms of Reference is reviewed and approved by the Board of Directors on 25 November 2021.