

**TURBO-MECH BERHAD**  
(Company No.: 863263–D)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**1. OBJECTIVE**

The primary function of the Audit Committee (“the Committee”) is to assist the Board of Directors (“the Board”) in fulfilling the following oversight objectives on the Group activities:-

- Review and assess the Group’s processes relating to its risks and control environment;
- Review and assess the Group’s quarterly and year end financial reporting;
- Review and assess the internal and external audit processes; and
- Review and assess the conflict of interest situations and related party transactions.

**2. COMPOSITION OF AUDIT COMMITTEE**

The Audit Committee shall be appointed by the Board of Directors from amongst the Directors and shall consist of not less than three members who shall be Non-Executive Directors, a majority of whom shall be Independent Non-Executive Directors.

The Board shall, within three (3) months of a vacancy occurring in the Committee (including Chairman) which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Director. An alternate Director must not be appointed as a member of the Committee.

The Board must via Nomination Committee to 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. MEMBERSHIPS**

All members shall be financially literate and at least one member of the Committee:-

- Must be a member of the Malaysian Institute of Accountants; or
- If not a member of the Malaysian Institute of Accountants, that member must have at least 3 years' working experience and; must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967 or must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
- Must have a degree/masters/doctorate in accounting or finance and at least 3 years' post-qualification in accounting or finance; or
- Must be a member of professional accountancy organisation who has been admitted as a full member of the International Federation of Accountants and at least 3 years' post-qualification experience in accounting or finance; or
- Must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
- Fulfills such other requirements as prescribed or approved by the Exchange.

#### **4. AUTHORITY**

The Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference or otherwise directed by the Board. It shall have:-

- The authority to investigate any matter within its terms of reference;
- The resources which are required to perform its duties;
- Full and unrestricted access to any information pertaining to the Company and its subsidiaries;
- Direct communication channels with the external auditors and internal auditors;
- The right to obtain independent professional or other advice;
- Assessing the risks (including the level of authority delegated to the management by the Board); and

- The rights to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the executive members of the Committee, other Directors and employees of the Company, whenever deemed necessary. The Committee shall meet with the external auditors without executive board members and key management present at least twice a year.

The Committee is also authorised by the Board to obtain, at the expense of the Company, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and reasonable for the performance of its duties.

The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

## **5. MEETINGS AND MINUTES**

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

In addition to the Committee members, the meetings will normally be attended by the representatives of the departments in the Company and of the external or internal auditors as and when required.

The Committee may invite any person to be in attendance to assist it in its deliberations.

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two (2).

The decision of the Audit Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

The Committee shall be reporting to the full Board from time to time its recommendation for consideration and implementation and the actual decision shall be the responsibility of the Board of Directors after considering the recommendation of the Committee.

The Company Secretary shall act as Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

The Company Secretary shall also be responsible for recording the proceedings of the Audit Committee and the minutes of meetings tabled at Board meetings. The Committee may conduct its meeting to include participation thereat by any member or invitee via video or teleconferencing or any other means of audio or audio – visual communications.

A resolution in writing, signed by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.

## **6. DUTIES**

The duties of the Committee shall include the following:-

- To consider the appointment/re-appointment of the external auditors based on the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal, and to renew the letter of resignation from the external auditors if applicable and report the same to the Board. In considering the appointment/re-appointment of the external auditors, to consider among others:-
  - (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 listed issuer's group being audited; and
  - (v) the number and experience of supervisory and professional staff assigned to the particular audit.

The AC is to also consider the performance of the external auditors and its independence as below:-

- (i) the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (ii) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
- (iii) 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 auditor.

- To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
  - Any changes in 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 being addressed;
  - The going concern assumption; and
  - Compliance with accounting standards and other legal requirements;
- 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);
- To review the external auditors' management letter and management's response.
- To consider any conflict of interest situations and related party transactions that may arise within the Company or group.
- To consider the major findings of internal investigations and management's response.
- To discuss the contracts and nature for the provision of non-audit services which can be entered into by the group with the external auditors or its affiliates and procedures that must be followed. The contracts that cannot be entered into should include management consulting, policy and standard operating procedures documentation, tax services, strategic decision and internal audit.
- 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 (eg. constitute 50% of the total amount of audit fees paid to the Company's external auditors) the Company is required to state the details on the nature of non-audit services rendered in the audit Committee Report.
- To discuss and review the major findings of any internal investigations and the management's response.

- To ensure the internal audit function is independent of the activities it audits and the head of internal audit reports directly to the Audit Committee. The head of internal audit should have the relevant qualifications and be responsible for providing assurance to the Audit Committee that the internal controls are operating effectively. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.
- To do the following in relation to the internal audit function:-
  - Identify the head of internal audit. The head of internal audit should have the relevant qualifications and be responsible for providing assurance to the Committee that the internal controls are operating effectively.
  - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and the necessary authority to carry out its work.
  - Review the internal audit programme and results of the internal audit programme and the results of the internal audit process and where necessary ensure that appropriate actions taken on the commendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit functions;
  - Approve any appointment or termination of senior staff members of the internal audit function;
  - Inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - Investigate or cause to be investigated any activity within its Terms of Reference;
  - To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters; and
  - To consider other topics as defined by the Board.

**7. 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.
- The Terms of Reference shall be reviewed regularly.
- A copy of this Terms of Reference should be uploaded on the Company's website.

Date:

Amended pursuant to the Board's resolution dated 22 August 2016.