

MEGA FIRST CORPORATION BERHAD
TERMS OF REFERENCE OF AUDIT COMMITTEE

1. MEMBERSHIP

- 1.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.
- 1.2 All the members of the Committee shall comprise solely of Independent Directors as defined in Chapter 1 of the Listing Requirement of Bursa Malaysia Securities Berhad (“the Exchange”).
- 1.3 The Committee shall include at least one person:
- (a) who is a member of the Malaysian Institute of Accountants; or
 - (b) who must have at least 3 years working experience and: -
 - (i) have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - (ii) is a member of one of the Associations specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - (c) who fulfils such other requirements as prescribed or approved by the Exchange.
- 1.4 No alternate Director shall be appointed as a member of the Committee.
- 1.5 The members of the Committee must elect a Chairman from amongst their members.
- 1.6 If a member of the Committee resigns or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three (3) members.
- 1.7 The term of office and performance of the Committee and of each of its members shall be reviewed by the Board annually. However, the appointment terminates when a member ceases to be a Director.
- 1.8 Any former key audit partner is required to observe a cooling-off period of at least two years before being eligible for appointment as member of the Committee.

2. MEETINGS

- 2.1 The quorum for a Committee meeting shall be at least two (2) members. The majority present must be Independent Directors.

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- 2.2 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman may decide.
- 2.3 Notwithstanding paragraph 2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- 2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- 2.5 The Committee may invite any non-member Director or employee of the Company and of the Group who the Committee thinks fit and proper to attend its meeting to assist in its deliberations and resolutions of matters raised.
- 2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made.
- 2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- 2.9 In addition to the availability of detailed minutes of the meetings to all Board members, the Committee at each Board meeting shall report a summary of significant matters and resolutions.

3. RIGHTS AND AUTHORITY

The Committee is authorised to: -

- 3.1 Investigate any matter within its terms of reference.
- 3.2 Have adequate resources required to perform its duties.
- 3.3 Have full and unrestricted access to information, records and documents relevant to its activities.
- 3.4 Have direct communication channels with the External and Internal Auditors. In this regard, the Chairman of the Committee shall engage on a continuous basis with senior management such as the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Internal Auditor and the External Auditors in order to be kept informed of matters affecting the Company or the Group.
- 3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

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- 3.6 Convene meetings with the External Auditors, the Internal Auditor or both, excluding the attendance of other directors and employees of the Company or of the Group, whenever deemed necessary. In this regard, the Committee shall meet with the External Auditors at least twice a year.

4. FUNCTIONS AND DUTIES

- 4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.

- 4.2 To review the following and report to the Board: -

- (a) With the External Auditors: -

- (i) the audit plan and audit report and the extent of assistance rendered by employees of the Auditee;
- (ii) their evaluation of the system of internal controls;
- (iii) their independence, objectivity, performance and services, including non-audit services and the professional fees, taking into consideration of the following:
 - Technical competency, quality of service, sufficiency of resources as well as communication and interaction in relation to the audit;
 - Audit partner responsible for the external audit of the Group is subject to rotation at least once in every 5 years.
- (iv) the matter concerning their nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors;
- (v) the management letter and management's response; and
- (vi) issues and reservations arising from the audit.

- (b) With the Internal Audit Department: -

- (i) the adequacy and relevance of the scope, functions, competency and resources of internal audit and the necessary authority to carry out its work;
- (ii) the audit plan of work programme and results of internal audit processes including actions taken or recommendations;
- (iii) the extent of co-operation and assistance rendered by employees of Auditee; and
- (iv) the appraisal or assessment of the performance of the internal audit function including that of the senior staff and any matter concerning their appointment, resignation and termination.

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- (c) The quarterly results and year-end financial statement of accounts prior to the approval by the Board, focusing particularly on: -
 - (i) changes in and implementation of major accounting policies and practices;
 - (ii) significant and unusual issues;
 - (iii) going concern assumption; and
 - (v) compliance with Accounting Standards, regulatory and other legal requirements.
 - (d) The major findings of investigations and management response.
 - (e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise questions of management integrity.
 - (f) Approve the provision of non-audit services by the External Auditors.
 - (g) Any letter of resignation from the External Auditors of the Company or suggestions for their dismissal.
 - (h) Whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment.
 - (i) To recommend the nomination of a person or persons as External Auditors.
- 4.3 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to the Exchange.
- 4.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:
- (a) the composition of the Committee including the name, designation and directorship of the members;
 - (b) the number of meetings held and details of attendance of each member;
 - (c) a summary of the work of the Committee in the discharge of its functions and duties for the financial year and how it has met its responsibilities;
 - (d) a summary of the work of the internal audit function;
 - (e) whether the internal audit function is in-house or is outsourced, and the costs incurred for the function for the financial year; and
 - (f) such other matter as may be required by the relevant regulatory authorities from time to time.

- 4.5 To review the following for publication in the Company's Annual Report: -
- (a) the disclosure statement of the Board on its corporate governance practices with reference to the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas;
 - (b) the statement on the Board's responsibility for the preparation of the annual audited financial statements;
 - (c) the disclosure statement on the state of the system of internal controls and risk management of the Company and of the Group; and
 - (d) other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of the Exchange.

The above function and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

5.0 INTERNAL AUDIT DEPARTMENT

- 5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee members and report directly to the Committee whose scope of responsibility includes overseeing the development, establishment and performance of the Internal Audit function.
- 5.2 In respect of the routine administrative matters, the Head of Internal Audit Department shall report to the Executive Directors.
- 5.3 The Internal Audit Department shall be independent of the activities it audits.

This Terms of Reference of the Audit Committee was approved by the Board of Directors on 27 March 2018.