

SAUDEE GROUP BERHAD
(Company No. 838172-P)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT COMMITTEE

OBJECTIVES

The primary objectives of the Audit Committee are:

- a) To assist the Board in discharging its duties and responsibilities relating to the group and the company's management of principal risks, internal controls, financial reporting and compliance of statutory and legal requirements.
- b) To maintain effective communication between the Board of Directors, senior management, internal auditors and external auditors in order to provide assurance that the information presented by management is relevant, reliable and timely.

B. COMPOSITION OF AUDIT COMMITTEE

Membership

1. The Committee shall be appointed by the Board from amongst its members and shall at all times consist of not less than three (3) directors, exclusively Non-Executive Directors of whom majority shall be the Independent Directors and at least one of them must be:
 - (i) must be a member of the Malaysian Institute of Accountants (MIA); or
 - (ii) if he/she is not a member of the MIA, he/she must have at least three (3) years' working experience and:-
 - a) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - b) he/she 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) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
2. No alternate director shall be appointed as a member of the Audit Committee.
3. In the event that the number of Audit Committee members is reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

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B. COMPOSITION OF AUDIT COMMITTEE (cont'd)

Membership (cont'd)

4. A former key audit partner shall observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee or such other period stipulated under the By-Laws (on Professional Ethics, Conduct and Practice) by the Malaysian Institute of Accountants, whichever is longer.

The engagement partner and the partner responsible for the engagement quality control review as well as other audit partners, if any, on the engagement team who make decisions or judgments on significant matters with respect to the audit of the Company's financial statements on which the auditor will express an opinion.

5. The term of office and performance of the Committee and each of its members shall be reviewed by the Board/Nominating Committee of the Company annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Chairman

The Chairman shall be selected by the members of the Audit Committee and should be an Independent Director. The Chairman of the Audit Committee must not be the Chairman of the Board of Directors.

Secretary

The Company Secretary shall act as the Secretary of the Audit Committee.

C. DUTIES AND RESPONSIBILITIES

External Audit

- To review with the external auditors the scope of audit plan, system of internal controls and their reports thereon.
- To assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment/reappointment, remuneration and removal.
- To review the suitability, independence and objectivity of the external auditors and their services, including non-audit services.
- To review the provision of non-audit services by the external auditors for recommendation to the Board of Directors for approval.

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TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

C. DUTIES AND RESPONSIBILITIES (cont'd)

Internal Audit

- To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- To review the internal audit plan and the effectiveness of internal audit processes, consider the major findings of internal audit investigations and ensure co-ordination between the internal and external auditors.
- To monitor the implementation of management's action plan on outstanding issues through follow-up reports to ensure that all key risks and control weakness are being properly addressed.

Risk Management Systems, Internal Controls and Governance Processes

To review the adequacy and effectiveness of the risk management systems, internal controls and governance processes implemented in the Company and/or the Group.

Audit Reports

To review the internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by Management to address and resolve the significant lapses in controls and procedures that are identified.

Financial Reporting

- To review the quarterly results and year-end financial statements prior to submission to the Board of Directors for approval, focusing particularly on –
 - changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - compliance with accounting standards and other legal requirements;
- To review the accounting policies adopted, any changes in accounting principles or practices and the level of prudence applied in areas requiring judgement.
- To review arrangements established by management for compliance with any regulation or other external reporting requirements.

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TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

C. DUTIES AND RESPONSIBILITIES (cont'd)

Related Party Transactions

To review any related party transaction and 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 integrity on a quarterly basis.

Other Matters

To consider such other matters as the Committee considers appropriate or as authorised by the Board of Directors.

D. AUTHORITY

The Committee shall, in accordance with a procedure determined by the Board of Directors and at the cost of the Company:

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Group and the Company;
- d) have direct communication channels with the external auditors and persons carrying out the internal audit function or activity;
- e) be able to obtain professional or other advice; and
- f) be able to convene meetings with the internal and external auditors, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

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E. MEETINGS

Meetings shall be held once every quarter. The Chairman shall call a meeting of the Committee if requested to do so by any Committee member, the management or the internal or external auditors. The Committee may invite the members of the Board, the management, the internal auditors and the representative of the external auditors to attend any of its meetings, as it deems necessary.

The quorum for a meeting of the Committee shall be two (2) members who shall be independent directors.

The Company Secretary is also responsible for keeping the minutes of the meeting of the Committee, circulating them to the Committee members and to the other members of the Board and following up on outstanding matters.