



## **Terms of Reference of the Audit Committee**

### **A. Objectives**

The Audit Committee (“the Committee”) of S & F Capital Berhad (“the Company”) was formed by the Board of Directors (“Board”) of the Company. Its primary function, is to assist the Board in fulfilling its fiduciary duties and to provide the following oversight objectives on the activities of the Company and its subsidiaries (“the Group”): -

- oversee financial reporting; and
- evaluate the internal and external audit processes, including issues pertaining to the system of internal control and risk management within the Group.

### **B. Composition**

1. The Committee shall be appointed by the Board from amongst themselves and shall consist of at least three (3) members. All the Committee members must be Non-Executive Directors with a majority of them being Independent Directors.
2. All members of the Committee should be financially literate and they should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
3. At least one (1) member of the 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 three (3) years’ working experience and –
    - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1976; or
  - iii. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
4. The members of the Committee shall elect a Chairman among themselves who is an Independent Director. The Chairman shall not be the Chairman of the Board.
5. No alternate Director shall be appointed as member of the Committee.
6. No former key audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years.



7. The term of office and performance of the Committee and each of its members shall 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.

## **C. Procedure of Committee Meetings**

### **1. Frequency of Meeting**

At least four (4) meetings are held in a year. However, meetings are also held as and when required or upon the request of any Committee member, the Managing Director or the external or internal auditors.

The Committee shall meet at least once during the financial year with the external auditors and the internal auditors without the presence of any executive Board members, Management or employees.

### **2. Venue and Participation**

The Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the Committee members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting.

### **3. Notice**

Except in the case of emergency, the notice of the Committee meetings and meeting materials shall be circulated at least five (5) business days before each meeting to members of the Committee. The notice of every meeting shall be given in writing and the notice of each meeting shall be served to the members either personally or by fax or e-mail or by post or by courier to his/her address as appearing in the Register of Directors or to the address provided by the Committee member, as the case may be.

### **4. Quorum**

The quorum for the meeting of the Committee shall be two (2) members, the majority of whom must be Independent Directors. If at any meeting, the Chairman of the Committee is not present within fifteen (15) minutes of the time appointed for holding the same, the members of the Committee present shall choose one of their number who shall be an Independent Non-Executive Director to be Chairman of such meeting.



**5. Attendance**

The presence of external auditors and internal auditors at any meeting of the Committee can be requested if required by the Committee.

The Committee may, as and when deemed necessary, invite other Board members and Senior Management members to attend the meetings.

**6. Voting**

A resolution put to the vote of the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote (except where 2 members form the quorum).

**7. Keeping and Inspection of Minutes**

The Company shall cause minutes of all proceedings of the Committee to be entered in books kept for that purpose.

Those minutes to be signed by the Chairman of the Committee Meeting at which the proceedings were had or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates.

The books containing the minutes of proceedings of the Committee Meeting shall be kept at the Registered Office or any other place as may be determined by the Board and shall be opened to the inspection of any members of the Board or the Committee members.

**D. Circular Resolution**

The Committee is also allowed to carry out their resolutions by way of written resolutions. A resolution in writing signed or approved via letter, facsimile, email or any other electronic means by all the Committee members shall be effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may be contained in a single document or may consist of several documents all in the like form signed by one or more members.

**E. Secretary**

The Company Secretary of the Company or such substitute as appointed by the Directors or the Committee from time to time shall act as the Secretary of the Committee.



**F. Power and Authority of the Committee**

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

- (a) have authority to investigate any matter within the terms of reference;
- (b) have the resources which the Committee requires to perform its duties;
- (c) have full and unrestricted access to any information which the Committee requires in the course of performing its duties;
- (d) have direct communication channels with the external auditors and internal auditors;
- (e) be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company; and
- (f) be able to convene meetings with the external auditors, internal auditors or both without the attendance of other directors and employees of the Company, whenever deemed necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of the Bursa Securities, the Audit Committee shall promptly report such matter to Bursa Securities.

**G. Duties and Responsibilities of the Committee**

The following are duties and responsibilities of the Committee: -

(1) Financial reporting and processes

- (a) To review the quarterly results and year-end financial statements of the Company, before the approval by the Board, focusing particularly on:
  - changes in or implementation of major accounting policies changes;
  - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - compliance with accounting standards and other legal/regulatory requirements.



- (b) To review the auditor's report and the findings of the audit with the external auditor, including but not limited to: -
  - a discussion of any significant issues which arose during the audit;
  - any accounting and audit judgements;
  - the level of errors identified during the audit;
  - the basis for the going concern assumption;
  - compliance with relevant financial reporting standards and relevant financial and governance reporting requirements;
- (c) To review the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (d) To review the evaluation of the systems of internal control with the external auditors;
- (e) To review any management letter sent by the external auditors to the Company and Management's response to such letter;

(2) Risk Management and Internal Control

- (a) To monitor and review on the effectiveness of the Company's internal financial controls and the timeliness of, and reports on, the effectiveness of corrective or remedial actions taken by Management;
- (b) To review and approve the statements to be included in the Annual Report concerning internal controls and risk management.
- (c) To ensure compliance with relevant laws and regulations without impeding the achievement of business objectives;
- (d) To review the content and execution of the Group's Anti-Bribery and Anti-Corruption policy;
- (e) To review and recommend the Group's enterprise risk management framework for approval by the Board;
- (f) To oversee and monitor the adequacy and effectiveness of risk management system;
- (g) To report to the Board on the Group's risk exposure;
- (h) To review and advise the Board on the potential risk strategies; and
- (i) To provide guidance in respect of risk management to the Management.



(3) External Auditors

- (a) To consider and make recommendations to the Board in relation to the nomination, appointment, re-appointment, resignation or removal of the external auditors, including the review of any letter of resignation from the external auditors;
- (b) To establish policies and procedures to assess the suitability and independence of external auditors;
- (c) To review or assess the performance of the external auditors on an annual basis;
- (d) To establish policies and procedures in governing circumstances for contracts of non-audit services to be entered with external auditors;
- (e) To obtain written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements;
- (f) To review the assistance and co-operation given by the Company's officers and Management to the external auditors.

(4) Internal Auditors

- (a) To 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;
- (b) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of internal audit function;
- (c) To review any appraisal or assessment of the performance of the internal auditors;
- (d) To review any letter of resignation from internal auditors and provide the internal auditors an opportunity to submit reasons for resigning;
- (e) To review the assistance and co-operation given by the Company's officer and Management to the internal auditors;
- (f) To meet the internal auditors at least once a year, without Management being present to discuss their remit and any issues arising from the internal audits carried out. In addition, the internal auditors shall be given the right of direct access to the Chairman of the Board and the Committee.



(5) Related Party Transactions

To review any related party transactions 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.

**H. Retirement and Resignation of Member of the Committee**

Where practical, a member of the Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

In the event of any vacancy in the Committee resulting in the non-compliance with Para 15.09(1) and Para 15.10 of the Main Market Listing Requirements of Bursa Securities, the Company shall fill the vacancy within three (3) months.

**I. Reporting**

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall submit an AC Report to shareholders in the Company's Annual Report.

The Committee shall review its Terms of Reference periodically and may recommend to the Board any changes it considers necessary.

This Terms of Reference was last reviewed on 29 November 2021.