



**ES CERAMICS TECHNOLOGY BERHAD**  
**Registration No. 200301024697 (627117-P)**  
(Incorporated in Malaysia)

**TERMS OF REFERENCE  
OF  
AUDIT COMMITTEE**

**PRIMARY PURPOSES**

The Audit Committee shall:-

1. provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Company and all its wholly and majority owned subsidiaries (“Group”).
2. improve the Group’s business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group’s reported results.
3. maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors.
4. enhance the independence of both the external and internal auditors function through active participation in the audit process.
5. strengthen the role of the independent Directors by giving them a greater depth of knowledge as to the operations of the Company and the Group through their participation in the Audit Committee (“Audit Committee” or “Committee”).
6. act upon the Board of Directors’ request to investigate and report on any issues or concerns in regard to the management of the Group.

**COMPOSITION**

The Audit Committee shall be appointed by the directors from amongst themselves which fulfils the following requirements: -

1. The Audit Committee shall be composed of no fewer than three (3) members;
2. All the Committee member must be non-executive directors, with a majority of the Audit Committee must be independent directors;
3. The Chairman of the Audit Committee shall be an independent director and he is not the Chairman of the Board;

4. The Chief Executive Officer or any alternate director shall not be a member of the Audit Committee;
5. At least one (1) of the members of the Audit Committee must:
  - i) be a member of the Malaysian Institute of Accountants; or
  - ii) have at least three (3) years working experience; and
    - must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act, 1967, or
    - must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
  - iii) fulfils such other requirements as prescribed by the Exchange
6. An individual who is a former partner of the external audit firm of the Company should not be appointed as a member of the AC unless he observes a cooling-off period of at least three (3) years from the date of his resignation as the partner of the external audit firm of the Company before being appointed as a member of the AC. This includes all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.).

## **RETIREMENT AND RESIGNATION**

In the event of any vacancy in the Audit Committee, the Company shall fill in the vacancy not later than three (3) months.

## **QUORUM**

The quorum of the AC meeting shall be a minimum of two (2) with majority of whom shall be independent directors.

## **RIGHTS & AUTHORITY**

The Audit Committee shall in accordance with the procedure determined by the Board 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 are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company which it requires in the course of performing its duties;
- (d) have unrestricted access to the Chief Executive Officer.;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- (f) be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (g) be able to convene meetings with the external auditors and/or internal auditors without the attendance of the executive members of the Company at least twice a year and wherever deemed necessary.

## **FUNCTIONS AND DUTIES**

The functions of the Audit Committee are as follows:-

1. To review the following and report the same to the Board of Directors:-
  - (a) with the external auditor, the audit plan;
  - (b) with the external auditor, his evaluation of the system of internal controls;
  - (c) with the external auditor, his audit report;
  - (d) the assistance given by the employees of the Company to the external auditor;
  - (e) 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;
  - (f) the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;
  - (g) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:-
    - (i) changes in or implementation of major accounting policy changes;
    - (ii) 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
    - (iii) compliance with accounting standards and other legal requirements
  - (h) 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;
  - (i) any letter of resignation from the external auditors of the Company;
  - (j) review and verify the allocation of Employees' Share Option Scheme Options and/or Ordinary Shares pursuant to the Long Term Incentive Plan and make such statement to be included in the annual report of the Company; and
  - (k) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
2. To recommend the nomination of a person or persons as external auditors.
3. To consider the suitability and independence of the external auditors, the audit fee and any questions of resignation or dismissal and on whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.
4. To carry out any other function that may be mutually agreed upon by the Committee and the Board which would be beneficial to the Company and ensure the effectiveness discharge of the Committee's duties and responsibilities.

5. The Committee actions shall be reported to the Board of Directors with such recommendations as the Committee deemed appropriate.
6. To report to the Bursa Securities on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements for the ACE Market.
7. To review the policies and procedures for assessment of suitability and independence of external auditors.

## **MEETINGS**

1. The Committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
2. Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the directors or shareholders.
3. The external auditors and internal 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 by the Committee.
4. The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.
5. Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

## **PROCEDURE OF AUDIT COMMITTEE**

The Audit Committee may regulate its own procedures, in particular:-

1. the calling of meetings;
2. the notice to be given of such meetings;
3. the voting and proceedings of such meetings;
4. the keeping of minutes; and
5. the custody, production and inspection of such minutes.

## **SECRETARY**

The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.