

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF ZECON BERHAD

(i) Composition

- a. The Audit Committee ("Committee") shall be appointed by the Board and shall consist of not less than three (3) members;
- b. All the Committee members must be non-executive directors and with a majority of them being independent directors;
- c. An alternate Director shall not be appointed as a member of the Committee;
- d. At least one member of the Committee must be a member of the Malaysian Institute of Accountant; or if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and: -
 - (i) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one (1) of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- e. The members of the Committee shall elect a Chairman from amongst their number who shall be an independent Director.
- f. If the number of members of the Committee is reduced to below three (3), the Board shall within three (3) months appoints, upon the recommendation of the Remuneration and Nomination Committee such number of new members as may be required to make up the minimum of three (3) members.

(ii) Authority

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

- a. have the 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;
- d. have direct communication channels with both the external and internal auditors;
- e. be able to obtain independent professional opinion or other advice; and
- f. be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity, or both, excluding the attendance of other directors and employees of the company, whenever deem necessary.

(iii) Duties

The duties and scopes of the Committee shall be to review the following and report the same to the Board: -

- a. with the external auditors:
 - (i) the scope of their audit plan;
 - (ii) their evaluation of the system of internal controls;
 - (iii) the audit reports on the financial statements;
 - (iv) the assistance given by the Company's employees to the external auditor;
 - (v) any letter of resignation from the external auditors; and
 - (vi) nomination of the external auditors and the determination of audit fees.
- b. 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
- c. the internal audit plan, processes, results of internal audit assignments, investigation undertaken and whether or not appropriate action is taken on the recommendations.
- d. the quarterly results and year end financial statements of the Company and the Group, prior to submission to the Board for approval, focusing particularly on: -
 - (i) changes in or implementation of major accounting policy;
 - (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.
- e. any related party transactions and conflict of interest situation that may arise within the Company or Group, including any transaction procedures or course of conduct that raises questions of management integrity.
- f. verify the allocation of options to employees under the relevant criteria decided by the Option Committee.
- g. any other functions as may be agreed by the Committee and the Board or as may required or empowered by statutory legislation or guidelines issued by the relevant governing authorities.

Where the Committee is of the view that any matter reported to the Board has not been satisfactorily resolved resulting in breach of the MLR, the Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

The Committee members' term of office, and performance of the Committee and each of its members are subject to a review by the Remuneration and Nomination Committee annually to determine whether the Committee and members have carried out their duties in accordance with their Terms of Reference.

(iv) Frequency and Attendance

The Committee shall hold at least four (4) regular meetings a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. The Committee at its discretion, may invite any person to its Committee meeting. A quorum for the Committee shall be two (2) members and majority of members present must be independent directors.

The General Manager for Internal Audit shall be the Secretary to the Committee. The Chairman shall table any material issues being discussed in the Committee meeting at the subsequent Board meeting of the Company

Note:

Terms of Reference of the Audit Committee amended and approved on 24 October 2018.