



PACIFIC & ORIENT BERHAD

AUDIT COMMITTEE CHARTER

1. OBJECTIVES

The Audit Committee serves to implement and support the oversight function of the Board of Directors (“Board”) of Pacific & Orient Berhad (“the Company”).

The purpose of the Audit Committee is to provide a structured, systematic oversight of the Company’s and the Group’s governance, risk management, and internal control practices. The Committee assists the Board and management by providing independent advice and guidance on the adequacy/appropriateness and effectiveness of the Company’s and the Group’s initiatives for:

- Ethics.
- Governance practices.
- Risk management process.
- Internal controls.
- Oversight of the Internal Audit function, External Auditors, and other providers of assurance.
- Producing financial data.

The Audit Committee also maintains an open line of communication and consultation between the Board, the Internal Auditors, the External Auditors and Management.

2. MEMBERSHIP

2.1 The Audit Committee shall be appointed by the Board from among the Directors of the Company and shall consist of not less than 3 members.

2.2 All the Committee members shall be non-executive directors with a majority of the members, including the Chairman of the Committee, being Independent Directors as defined in Chapter 1 of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements.

Each Committee member shall meet the applicable standards of independence and the determination of independence shall be made by the Board.

- 2.3 No member of the Committee shall be employed in an executive position in the Company or its related corporations or otherwise have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the functions of the Committee. In addition, members of the Committee shall not be directly responsible for, or be part of any committee involved in, the management functions of the Company or its related corporations.
- 2.4 Members of the Committee shall possess sound judgment, objectivity, independent attitude, management experience and specific industry knowledge. They shall be committed to the task and demonstrate a keen perception of the internal control environment within the Company and the Group and an ability to make probing inquiries. All members of the Committee shall be financially literate. 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 1st Schedule of the Accountants Act, 1967; or
 - (ii) is a member of one of the Associations specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - (c) who has either one of the following qualifications and at least 3 years' post qualification experience in accounting or finance:
 - (i) a degree/masters/doctorate in accounting or finance; or
 - (ii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants;
or
 - (d) who has at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- 2.5 Committee members shall receive formal orientation training on the purpose and mandate of the Committee and on the Company's objectives, if necessary. A process of continuing education shall be established.
- 2.6 No alternate Director shall be appointed as a member of the Committee.
- 2.7 Any appointment of a former key audit partner as a member of the Committee shall observe a cooling-off period of at least 3 years before the person may be appointed as a member of the Committee.
- 2.8 The Chairman of the Committee shall be appointed by the full Board from among the Committee members. The Chairman of the Committee shall not be the Chairman of the Board.

- 2.9 If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below 3, the Board shall, within 3 months of such resignation, death or cessation, appoint such number of new members as may be required to make up the minimum of 3 members.
- 2.10 The terms of office and performance of the Committee and each of its members shall be reviewed by the Board no less than once every 3 years. However, the appointment terminates when a member ceases to be a Director.

3. MEETINGS

- 3.1 The quorum for an Audit Committee meeting shall be at least 2 members; the majority present must be Independent Directors.
- 3.2 The Committee shall meet at least 4 times annually and such additional meetings as the Chairman of the Committee shall decide. The Committee shall ensure that they meet exclusively when necessary.
- 3.3 Notwithstanding paragraph 3.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider the matters brought to its attention.
- 3.4 To obtain reasonable assurance with respect to the work of the External Auditors, the Committee shall meet with the External Auditors during the planning phase of the engagement, presentation of the audited financial statements, and discussion of the results of engagements and recommendations for management. The External Auditors shall also appear before the Committee when required to do so. In order to allow the External Auditors to express concerns, problems and reservations arising from financial audits, the Committee shall meet at least twice a year with the External Auditors without the presence of management and executive board members.
- 3.5 The Committee may invite any non-member Directors or employee of the Company and of the Group who the Committee thinks fit and proper to attend its meetings to assist in its deliberations and resolutions of matters raised.
- 3.6 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. However, the Committee shall meet with the Internal Auditors without other directors and employees present, whenever deemed necessary.

3.7 The Company Secretary shall act as Secretary of the Committee to facilitate and coordinate meetings as well as provide ancillary support to the Committee. This includes, with the concurrence of the Chairman of the Committee, establishing and circulating agendas and the notice of Audit Committee meetings together with the supporting explanatory documentation to members prior to each meeting, as well as establishing a work plan to ensure that the responsibilities of the Audit Committee are scheduled and will be carried out.

The Company Secretary shall establish the meeting agenda and work plan in consultation with senior management and the Chief Audit Executive.

3.8 The Committee members are obligated to prepare for and participate in Committee meetings.

3.9 Committee members shall adhere to the Company's code of conduct and any ethics established by the Company. It is the responsibility of the Committee members to disclose any conflict of interest or appearance of a conflict of interest to the Committee. If there is any question as to whether Committee members should recuse themselves from a vote, the Committee shall vote to determine whether the member should recuse himself or herself.

3.10 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee, circulate the minutes timely to the Committee members and other Board members and follow up on outstanding matters in relation to the meetings.

3.11 In addition to the availability of detailed minutes of the Committee's meetings to all Board members, the Chairman of the Committee, at each Board meeting, shall report a summary of significant matters and resolutions.

4. RIGHTS AND AUTHORITY

The Audit Committee Charter sets out the authority of the Audit Committee to carry out the responsibilities established for it by the Board.

The Committee is empowered to:

4.1 Investigate any matter within its terms of reference.

4.2 Have adequate resources required to perform its duties.

4.3 Have full and unrestricted access to records, information, documents, members of management, employees, Directors and external parties necessary to discharge its duties.

4.4 Be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by management or the Group Internal Audit Department.

- 4.5 Have direct, open and complete communication channels with the Board, External and Internal Auditors, and employees of the Company and of the Group.

In this respect, the Chairman of the Committee shall engage on a continuous basis with senior management, such as the Chairman of the Board, the Group Chief Executive, the Head of Group Finance, the Chief Audit Executive and the External Auditors in order to be kept informed of matters affecting the Company and of the Group.

- 4.6 Engage, consult and obtain independent legal or other professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary to carry out its duties.
- 4.7 Oversee all audit and non-audit services performed by External Auditors, including the work of any registered public accounting firm employed by the Company.
- 4.8 Resolve any disagreements between management and the External Auditors regarding financial reporting and other matters.

5. FUNCTIONS AND DUTIES

- 5.1 To review and recommend for the Board's approval, the Internal Audit Charter to ensure that it accurately reflects the Internal Audit function's purpose, authority, and responsibility, consistent with the mandatory guidance of The Institute of Internal Auditors' International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the Company and the Group and reflects developments in the professional practice of internal auditing.
- 5.2 To review the following and report to the Board:
- (a) With the External Auditors:
- (i) The audit plan and the extent of assistance rendered by employees of the Auditee.
 - (ii) The audit report and the corrective actions arising from external audit findings.
 - (iii) Their evaluation of the system of internal controls.

- (iv) The details of audit fee and non-audit fees (including the nature of services if the non-audit fees are significant) and on matters concerning their suitability for nomination, appointment and re-appointment, including reviewing and assessing the various relationships between the External Auditors and the Company or any other entity that may impair or appear to impair the External Auditor's objectivity, performance and independence in respect of the Company and the Group. This includes an evaluation of the nature, scope and fees for non-audit services provided by the External Auditors to ensure that the services are justified and reasonable and in line with the laid down policy and procedures on non-audit services in order to safeguard the independence and objectivity of the External Auditors and reduce potential conflicts of interest. Management may proceed to engage the External Auditors to provide permitted non-audit services, provided that the fees are fair and realistic having regard to the nature, scope and complexity of the non-audit services undertaken so as to preserve the External Auditors' independence.
 - (v) The underlying reasons for resignation or dismissal as Auditors. The Committee shall investigate reasons for any request made by management to dismiss the External Auditors, or any resignation by the External Auditors. The results of the investigation shall be disclosed to the full Board together with the Committee's recommendations on the proposed actions to be taken. The decisions of the Board in relation to the recommendations made by the Committee shall be documented in the Board minutes.
 - (vi) All representation letters signed by management to ensure information provided is complete and appropriate.
 - (vii) Management's responsiveness to, and action taken on, external audit findings and recommendations to ensure effective and timely resolution.
 - (viii) Issues and reservations arising from audits which have been properly discussed and acted upon to remove the External Auditors' concern.
- (b) With the Group Internal Audit Department:
- (i) Fulfillment of Group Internal Audit Department's role in evaluating and contributing to the improvement of risk management, control and governance systems as spelled out in the International Standards for the Professional Practice of Internal Auditing contained in The International Professional Practices Framework.
 - (ii) Compliance with internal auditing standards, Company or its related corporations' policies relating to conformity with laws and regulatory requirements.
 - (iii) Their evaluation of the system of internal controls, which include among others, the financial, operational and information technology security and controls.
 - (iv) Independence and reporting relationships of audit function and reports to ensure that reporting relationships of Internal Auditors do not impede exercise of independent judgment by Internal Auditors. Internal Audit reports should not be subject to clearance of the Group Chief Executive.

- (v) Status of Group Internal Audit Department within the overall organisational structure for Internal Auditors to effectively accomplish its audit objectives.
 - (vi) The adequacy and relevance of the scope, functions, competency and resources of Internal Audit and the necessary authority to carry out its work.
 - (vii) Adequacy of training of Internal Auditors.
 - (viii) The audit plan of work program, including the appropriateness of the risk management methodology employed to determine the frequency and scope of audit.
 - (ix) The Internal Audit function's performance relative to its audit plan.
 - (x) Internal Audit reports containing results of internal audit processes including corrective actions taken on recommendations and noting any significant disagreements between the Internal Auditors and management irrespective of whether they have been resolved.
 - (xi) The extent of cooperation and assistance rendered by employees of the Auditee, including any restrictions placed on access by Internal Auditors to records, assets, personnel and processes.
 - (xii) The appraisal of the performance of the Internal Auditors, including that of the senior staff and any matter concerning their appointment, remuneration, resignation and termination.
 - (xiii) Coordination and cooperation between Internal and External Auditors.
- (c) The quarterly and year-end financial statements prior to the approval by the Board, focusing particularly on:
- (i) Whether auditors' report contained qualifications which must be properly discussed and acted upon to remove cause of auditors' concerns.
 - (ii) Significant changes and adjustments in preparation and presentation of financial statements.
 - (iii) Major changes to, and appropriateness of, accounting policies and principles.
 - (iv) Alternative accounting treatments discussed with management and ramifications of alternatives.
 - (v) Material fluctuations in regard to financial position and results as reflected in financial statements.
 - (vi) Significant variations in audit scope.
 - (vii) Significant commitments and contingent liabilities.
 - (viii) Significant matters highlighted, including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed.
 - (ix) Validity of going concern assumptions.
 - (x) Compliance with accounting standards, regulatory and other legal requirements.
- (d) The major findings of investigations and management responses.

- (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.
- 5.3 Report any breaches of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements, which have not been satisfactorily resolved, to Bursa Malaysia Securities Berhad.
- 5.4 Verify allocation of options pursuant to a share scheme for employees is in compliance with the criteria for the allocation of options.
- 5.5 Oversee the design, implementation, maintenance and effectiveness of the Company's Internal Control Policy, including controls related to the prevention, identification and detection of fraud.
- 5.6 Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all employees of the Company and the Group.
- 5.7 Requiring management to design, implement and maintain appropriate risk management and internal control system and reviewing management's report on the scope and performance of the Company's risk management and internal control system.
- 5.8 Review the following corporate governance disclosures for publication in the Company's Annual Report:
 - (a) Report of the Audit Committee covering:
 - (i) The composition of the Committee including the name, designation and directorship of the members.
 - (ii) The number of meetings held during the financial year and details of attendance of each Committee member.
 - (iii) A summary of the activities of the Committee in the discharge of its functions and duties for the financial year and how the Committee has met its responsibilities.
 - (iv) A summary of the activities of the Internal Audit function.
 - (b) Corporate Governance Overview Statement, which provides an overview of the application of the Principles set out in the Malaysian Code on Corporate Governance.
 - (c) The disclosure statement on the state of the risk management and internal control of the Company and of the Group under Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.
 - (d) The statement on the Board's responsibility for the preparation of the annual audited financial statements.

- (e) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

- 5.9 Review the Corporate Governance Report, which details the Company's application of each Practice set out in the Malaysian Code on Corporate Governance during the financial year for submission to Bursa Malaysia Securities Berhad in a prescribed format.

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

6. GROUP INTERNAL AUDIT DEPARTMENT

- 6.1 The Chief Audit Executive shall have unrestricted access to the Committee members and report to the Committee whose scope of responsibility includes overseeing the development and the establishment of the Internal Audit function.
- 6.2 In respect of the routine administrative matters, the Chief Audit Executive shall report to the Group Chief Executive.