

**SUNZEN BIOTECH BERHAD (COMPANY NO. 680889-W)**  
**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**1. Composition And Membership**

- 1.1 The Audit Committee shall be appointed by the Board from amongst their numbers and shall comprise no fewer than three (3) members.
- 1.2 All the Audit Committee members must be Non-Executive Directors with a majority of whom shall be independent directors. At least one (1) member must:
- (i) be a member of the Malaysian Institute of Accountants (“MIA”); or
  - (ii) if he is not a member of the MIA, he must have at least three years of working experiences and:
    - He must have passed the examination specified in Part I of the 1st Schedule of the Accountant Act 1967; or
    - He must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 1.3 No alternate director shall be appointed as a member of the Audit Committee. All Audit Committee members should be financially literate.
- 1.4 In case of a former key audit partner is being nominated as a member of the Audit Committee, he/she shall observe a cooling period of at least two (2) years before being appointed as a member of the Audit Committee.
- 1.5 In the event of any vacancy in the Audit Committee resulting in the non-compliance of items 1.1, 1.2 and 2.1, the Company must fill the vacancy within three (3) months.
- 1.6 The terms of office and performance of the Audit Committee and each of its members must be reviewed by the Nomination Committee annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

**2. Chairman**

- 2.1 The Chairman, who shall be elected by the Audit Committee, shall be an independent director. The Chairman shall not be the Chairman of the Board.
- 2.2 In the absence of the Chairman, the meeting shall be chaired by another member of the Audit Committee who is an Independent Director.

- 2.3 The role of the Chairman includes planning and conducting meetings, overseeing and reporting to the Board, encouraging open discussion during meetings, and developing and maintaining active on-going dialogue with Management, the internal auditors and the external auditors.
- 2.4 The Chairman should engage on a continuous basis with the Chairman of the Board, senior Management such as the Managing Director/ Chief Executive Officer, the Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company such as the Company's reporting process, internal controls, risk management and governance with the aim to ensure effectiveness and efficiency of the internal control systems and the risk management framework.

### **3. Secretary**

- 3.1 The Company Secretary or her nominee shall act as Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.
- 3.2 The Secretary or her nominee shall be in attendance at each meeting and record the proceedings of the meetings thereat and minute the resolutions.
- 3.3 The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Audit Committee members. The members of the Audit Committee may inspect the minutes of the Audit Committee at the Registered Office as may be determined by the Audit Committee.

### **4. Meetings**

- 4.1 The Audit Committee shall meet at least four (4) times in each financial year.  
  
The Audit Committee may call for additional meeting as and when required depending on the level of responsibility and complexity of the Group with reasonable notice as the members of the Audit Committee deem fit.
- 4.2 The quorum for a meeting shall be two (2) members, provided that majority of the members present at the meeting shall be independent. The Audit Committee meeting at which a quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.
- 4.3 The Audit Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

- 4.4 Meetings of the Audit Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Audit Committee based on the planned calendar dates. Notice of each meeting confirming the venue, time and date together with an agenda items and its supporting papers to be discussed, shall be forwarded to each member of the Audit Committee, no later than seven (7) days before the date of the meeting.
- 4.5 All decisions at such meeting shall be decided on a show of hands on a majority of votes. The Chairman shall have the casting vote should a tie arise.
- 4.6 Other Directors, employees, internal auditors and/or external auditors may attend any particular Audit Committee meeting at the invitation of the Audit Committee and shall appear before the Committee when required to do so by the Audit Committee.
- 4.7 The internal auditors and/or external auditors may also request a meeting with the Audit Committee if they consider it necessary (and/or believe the matter should be brought to the attention of the Audit Committee and/or the Board) and have the right to appear and be heard at any meeting of the Audit Committee. The Chairman shall call for a meeting upon the request of the internal and external auditors.
- 4.8 The Secretary or his/her nominee shall minute the proceedings and resolutions, including the names of all attendees. Draft minutes of meetings of the Audit Committee shall be circulated promptly to all members of the Audit Committee.
- 4.9 Except in the case of emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the AC Members either personally or by fax or e-mail, fax or by post or by courier to his/her registered address as appearing in the Register of Directors or to the address provided by the Audit Committee Member, as the case may be.
- 4.10 The Audit Committee may establish procedures from time to time to govern its meetings, keeping minutes and its administration.

## **5. Audit Committee Resolutions In Writing**

In the event that the Audit Committee require matters to be approved by way of a written resolution, a resolution in writing signed or approved by letter or telefax or other electronics means by all members of the Audit Committee, shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted.

Any such resolution may be executed in any number of counterparts, each signed by one or more members of the Audit Committee all of which taken together and when delivered to the Secretary shall constitute one and same resolution.

## 6. Rights And Authority

The Audit Committee shall:

- (a) have authority to investigate any matter within its terms of reference and have direct access to any one in the Company to conduct a special investigation for fraud, violation of code of conduct or an illegal act;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) have the right to obtain independent professional or other advice and to invite outside experts or advisors such as valuers or tax consultants with relevant experience and expertise to attend the Audit Committee Meeting (if required) and to brief the Committee at the Company's expense;
- (f) have the right to convene meetings with the internal auditors and/or external auditors excluding the attendance of the other directors, management and/or employees of the Group, whenever deemed necessary;
- (g) promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board resulting in a breach of the listing requirements;
- (h) have the right to pass resolutions by a simple majority vote from the Audit Committee and that the Chairman shall have the casting vote should a tie arise; and
- (i) have the right to meet as and when required on a reasonable notice.

## 7. Duties And Functions

### 7.1 Oversight of Financial Reporting

- i. To review the quarterly results and annual financial statements before recommending to the Board for approval and release to Bursa Securities, focusing particularly on:
  - any changes in or implementation of accounting policies and practices;
  - significant or material adjustments with financial impact arising from the audit;
  - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
  - the going concern assumptions;
  - the appropriateness of management's selection of accounting policies and disclosures in compliance with approved accounting standards and other regulatory requirements; and
  - compliance with applicable financial reporting standards.
- ii. To monitor the integrity of the financial statements of the Company and assess whether the financial report represents a true and fair view of the Company's performance and ensure compliance with the regulatory requirements.

- iii. To propose best practices on disclosure in the financial statements and the annual reports of the Company, to be in line with the recommendations set out in the Malaysian Code of Corporate Governance and other applicable rules and regulations.

## 7.2 Evaluation on External Audit

- i. To recommend the appointment or re-appointment of the external auditors and audit fee and non-audit fees to the Board, after reviewing the suitability, resources, competency and independence of the external auditors.
- ii. To make appropriate recommendations to the Board on matters of resignation, dismissal or cessation of office of the external auditors and secure the reason of such resignation, dismissal or cessation of office.
- iii. To review with the external auditors on:
  - the audit plan, its scope and nature;
  - the audit report;
  - the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group;
  - the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with management encountered during the audit;
  - management letter and/or major findings of internal investigations and Management's response therein; and
  - the nature and extent of the non-audit services rendered by the external auditors and the appropriateness of the level of fees.
- iv. To have policies and procedures to assess the suitability, objectivity and independence of external auditors.
- v. To discuss with the external auditors before they commence the nature and scope of audit and ensure coordination where there are more than one audit firm is involved.
- vi. To conduct private meetings with the external auditors without the presence of Executive Directors or employees of the Group.

## 7.3 Evaluation on Internal Audit

- i. To recommend the appointment of the internal auditors and its fees for audit and non-audit service fee to the Board.
- ii. To review the adequacy of the scope, functions, competency, resources and set the standards of the internal audit function.
- iii. To review the risk-based internal audit plans and programmes and processes.
- iv. To ensure co-ordination between the internal and the external auditors.

- v. To review the internal audit plan, processes, results of the internal audit assessments major findings reported by the internal auditors and whether or not appropriate action is taken on the recommendations of the internal audit function and follow up on Management's implementation of the recommended actions.
- vi. To annually assess the performance of services provided by the internal auditors and be satisfied that the internal audit should be carried out objectively and is independent from management of the Company and of the functions which it audits and report its findings directly to the Audit Committee.

#### 7.4 Risk Management and Internal Control

- i. To recommend measures as to be taken by the Board on the effectiveness of the system of internal control and risk management practices of the Group.
- ii. To evaluate the quality and effectiveness of the Company's internal control system and management information system, including compliance with the applicable laws, rules, corporate governance requirements and regulations.
- iii. To review the effectiveness and efficiency of the internal controls systems in place and the risk factors affecting the Company as well as the action plans taken by Management to resolve the issues to ensure adequacy of the internal control systems.
- iv. To recommend to the Board the Director's Statement on Risk Management and Internal Control and any changes to the said statement.
- v. To assist the Board in identifying the principal risks, review and assess the effectiveness of the risk management framework and internal control systems based on the reports and recommendations from the internal auditors and report to the Board on its findings.

#### 7.5 Conflict of Interest Situation and Related Party Transactions

- i. To review and monitor related party transactions including Recurrent Related Party Transactions) entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public;
- ii. To ensure that the Board reports such transactions annually to the shareholders via the Company's annual report;

- iii. To review conflict of interest situations that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- iv. To report to Bursa Securities, if there is any recurrent related party transaction which exceeded the Shareholders' Mandate and to provide full reasoning and detailed explanations.

#### 7.6 Whistleblowing and fraud

- i. To review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action and review the Company's procedures for detecting fraud.
- ii. To cultivate the awareness of the employees and ensure the whistleblower could report directly to the Audit Committee on any possible wrongdoings or fraud detected.

#### 7.7 Others Matters

- i. To verify the allocation of options pursuant to a share scheme for employees to ensure in compliance with the criteria for allocation of options under the share scheme, at the end of each financial year.
- ii. Where the Audit 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 ACE Market Listing Requirements of Bursa Securities or other authorities, the Audit Committee must promptly report such matter to Bursa Securities or the authority.

### **8. Shareholders' Meeting**

- The Chairman of the Audit Committee should attend the shareholders' meeting to answer any shareholder's question on the Audit Committee's activities, in particular on areas pertaining to the Audited Financial Statements.

### **9. Reporting Responsibilities**

- To report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- To make recommendation to the Board as and when it deems appropriate on any areas within its remit where action or improvement is needed.

**10. Review of Terms of Reference**

The terms of reference should be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, ACE Market Listing Requirements of Bursa Securities and any other regulatory requirement or any changes to the direction or strategies of the Company that may have affect the Audit Committee's roles and responsibilities.

The Audit Committee should recommend any change to the terms of reference to the Board for approval.