

## **VERSATILE CREATIVE BERHAD (603770-D)**

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

#### **Members**

The Board of Directors shall appoint the members of the Audit Committee from amongst themselves, which fulfils the following requirements:

1. The Audit Committee shall be composed of no fewer than three (3) members, whom shall be non-executive directors;
2. A majority of the Audit Committee must be independent directors;
3. The Chairman of the Audit Committee shall be an independent director and shall not be Chairman of the Board;
4. All members of the audit committee shall be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules;
5. At least one member of the Audit Committee.
  - i) must be a member of the 'Malaysian Institute of Accountants (MIA); or
  - ii) if he is not a member of 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 1 of the 1st 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 1st Schedule of the Accountants Act 1967.
  - iii) Fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Board must ensure that no alternate Director is appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee, the Company shall fill in the vacancy within two (2) months, but in any case not later than three (3) months. Thereafter a member of the Audit 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.

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

A former key audit engagement partner of the Company's external auditors firm is required to observe a cooling-off period of at least two years before he or she could be appointed as a member of the Audit Committee.

## **Objectives**

The Audit Committee's function is to:

1. Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the 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 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.
7. Create a climate of discipline and control which will reduce opportunity to fraud.

## **Authority**

The Audit Committee is fully authorised by the Board to independently investigate without interference from any party any matter within its terms of reference at the cost of the Company. It shall have:

- a. full and unrestricted access to any information pertaining to the Company and the Group in the course of performing its duties;
- b. direct communication channels with the external auditors and internal auditors or person(s) carrying out the internal audit function;
- c. full access to any employee or member of the management; and
- d. the resources, which are required to perform its duties.

The Audit Committee also have authority to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary and reasonable for the performance of its duties.

## **Duties and Responsibilities**

The Audit Committee is to be provided with sufficient resources to under its duties. All members of the Audit Committee must be able to read, analyse and interpret financial statements. In fulfilling its primary objectives, the Audit Committee will need to undertake inter-alia the following functions:

1. To review the following and report the same to the Board of Directors:-
  - a. the independence and objectivity of the external auditors and their services rendered, including non-audit services and professional fees, so as to ensure a proper balance between objectivity and value for money.
  - b. the effectiveness and adequacy of the scope, functions, resources and competency of the internal audit functions and ensure that it has the necessary authority to carry out its work;
  - c. in relation to the internal audit function:
    - the internal audit plan and programme the results of the internal audit assessments process, investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors;
    - any appraisal or assessment of the performance of members of the internal audit function;
    - approve any appointment or termination of the internal auditors: and
    - take cognizance of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning.
  - d. the financial statements of the Company with both the external auditors and management;
  - e. the external auditors' audit plan, their evaluation of the system of internal controls and audit report;
  - f. any management letter sent by the external auditors to the Company and the management's response to such letter;
  - g. any letter of resignation from the Company's external auditors;
  - h. the quarterly results and year-end financial statements of the Group, before the approval by the Board of Directors, focusing particularly on:-
    - changes in or implementation of major accounting policy 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 requirements;
  - i. the assistance given by the employees of the Company to the external auditors;
  - j. all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
  - k. all related party transactions and potential conflict of interests situations that may arise within the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity.
2. To recommend the nomination of a person or persons as external auditors and consider the appointment, 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.

3. 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.
4. The Committee actions shall be reported to the Board of Directors with such recommendations as the Committee deems appropriate.

If the Audit Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities for the MAIN Board, the Audit Committee has the responsibility for reporting such matters to the relevant authority. The Audit Committee shall have the discretion to undertake such action independently from the Board.

### **Procedures of Audit Committee**

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

- a. the calling of meetings;
- b. the notice to be given of such meetings;
- c. the voting and proceedings of such meetings;
- d. the keeping of minutes; and
- e. the custody, production and inspection of such minutes.

### **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. There should be at least one (1) meeting with the external auditors without the executive director present.
3. The quorum for any meeting shall be at least two (2) members where a majority of members present must be independent directors.
4. 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.
5. 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.
6. The Committee may invite any Board member or any member of management or any employee of the Company whom the Committee thinks fit to attend its meetings, assist and provide pertinent information as necessary.
7. The Company must ensure that other directors and employees attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

8. The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.
9. The Committee may hold a meeting at two (2) or more venues within or outside Malaysia using any technology that enable the Committee to participate for the entire duration of the meeting whereby all participating persons are able to hear each other or be present at the meeting and be counted for the purpose of a quorum. He/She shall be entitled to vote thereat. Any meeting held in such manner shall be deemed to have been held at such time and place as set out in the notice of meeting. All information and documents for the meeting must be made available to all Committee prior to or at the meeting. The minutes of the proceedings of such meeting are sufficient evidence of the proceedings to which it relates.

### **Minutes**

1. The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated.
2. Minutes of each meeting shall also be distributed to all attendees at the meetings and members of the Committee.
3. Detailed minutes of the Committee's meetings will be made available to all Board members. A summary of significant matters and resolutions will be reported to the Board by the Committee.
4. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office of the Company and shall be opened to the inspection of any member of the Committee and of the Board.

