

MANAGEPAY SYSTEMS BERHAD

(Company No. 887689-D)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. OBJECTIVE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:-

- 1.1 Review and assess the Group's processes relating to its risks and control environment;
- 1.2 Review and assess the Group's quarterly and year end financial reporting;
- 1.3 Review and assess the internal and external audit processes; and
- 1.4 Review and assess the conflict of interest situations and related party transactions.

2. COMPOSITION

The Audit Committee shall be appointed by the Board from among its members who fulfill the following requirements:-

- 2.1 The Audit Committee must be composed of not fewer than three (3) members;
- 2.2 All the members of the Audit Committee must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors;
- 2.3 The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director;
- 2.4 All the members of the Audit Committee shall be financially literate and at least one member of the Audit Committee:-
 - 2.4.1 must be a member of the Malaysian Institute of Accountants; or
 - 2.4.2 if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience; and
 - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

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2.4.3 fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”);

2.5 No Alternate Director shall be appointed as a member of the Audit Committee; and

2.6 Subject to any regulatory disqualification, members of the Audit Committee shall not be removed except by the Board. In the event of any vacancy in the Audit Committee (including the Chairman), the Board shall within three (3) months fill the same so as to comply with all regulatory requirements. In any event the Board via Nomination Committee must review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with its Terms of Reference.

3. SECRETARY

The Company Secretary shall be the Secretary of the Committee.

4. QUORUM AND VOTING

The quorum for all meetings of the Audit Committee shall not be less than two (2) members, a majority of whom shall be Independent Non-Executive Directors. All meetings shall be chaired by the Chairman; if the Chairman is absent at any meeting, it shall be chaired by another Independent Non-Executive Director.

All resolutions of the Audit Committee shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote.

5. MEETINGS AND ATTENDANCE

5.1 Meetings shall be held not less than four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

5.2 The meeting shall normally be attended by the Executive in charge of Finance, Internal Audit and Corporate Governance at the invitation of the Audit Committee.

5.3 The external auditors are normally invited to attend meetings as and when necessary.

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- 5.4 Other Board Members and employees may attend meetings only upon the invitation of the Audit Committee.
- 5.5 However, at least twice a year, the Audit Committee shall meet with the external auditors without any Executive Board members and employees present. The external auditors may also request additional meeting if they consider it necessary.
- 5.6 The Secretary of the Audit Committee shall provide the necessary administrative and secretarial services for the effective functioning of the Audit Committee. The minutes shall be circulated to the Audit Committee members and to all other members of the Board.
- 5.7 A resolution in writing, signed by all the members of the Audit Committee, shall be as effectual as if it has been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Audit Committee members.

The Secretary shall on the requisition of the members of the Audit Committee summon a meeting of the Audit Committee and, except in the case of an emergency, reasonable notice of every Audit Committee meeting shall be given in writing.

- 5.8 The Audit Committee may conduct its meeting to include participation thereat by any member or invitee via video or teleconferencing or any other means of audio or audio – visual communications.

6. AUTHORITY

The Audit Committee shall have authority to investigate any matter within its Terms of Reference.

The Audit Committee is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Audit Committee, and it shall have full and unrestricted access to any information pertaining to the Company and Group.

The Audit Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of Executive Directors and employees of the Company, whenever deemed necessary.

The Audit Committee shall have the resources that are required to perform its duties. The Audit Committee shall be able to obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

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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, the Audit Committee shall promptly report such matter to the Bursa Securities.

7. RESPONSIBILITY AND DUTIES

In fulfilling its primary objectives, the Audit Committee shall undertake the following responsibilities and duties:-

- 7.1 Review with the external auditors, the audit scope and plan, including any changes to the planned scope of the audit plan.
- 7.2 Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- 7.3 Ensure that the internal audit function is independent of the activities it audits and the internal auditors shall report directly to the Audit Committee. The head of internal audit should have the relevant qualifications and be responsible for providing assurance to the Audit Committee that the internal controls are operating effectively. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company.
- 7.4 Review any appraisal or assessment of the performance of members of the internal audit function.
- 7.5 Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for outsourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his/her reasons for resigning.
- 7.6 Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in control or procedures that are identified.
- 7.7 Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- 7.8 Review major audit findings and the management's response during the year with management, external auditors, internal auditors including the status of previous audit recommendations.

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- 7.9 Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- 7.10 Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- 7.11 Review the appointment/re-appointment and performance of external auditors, the audit fee, any question of resignation or dismissal, any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment before making recommendations to the Board and recommend the nomination of a person or persons as external auditors. In considering the appointment/re-appointment of the external auditors, the Audit Committee is to consider among others:-
- (i) the adequacy of the experience and resources of the accounting firm;
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm's audit engagements;
 - (iv) the size and complexity of the the Company and Group being audited; and
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit.

The Audit Committee is to also consider the performance of the external auditors and its independence as below:-

- (i) the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - (ii) the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and
 - (iii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors.
- 7.12 Review the Internal Audit Charter, budget and staffing of the internal audit functions.
- 7.13 Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.
- 7.14 Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcation, frauds and thefts and management's response.

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- 7.15 Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:-
 - 7.15.1 changes in or implementation of major accounting policy and practices;
 - 7.15.2 the going concern assumption;
 - 7.15.3 significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed; and
 - 7.15.4 compliance with accounting standards and other legal requirements.
- 7.16 Review procedures in place to ensure that the Group complies with the Companies Act 1965, ACE Market Listing Requirements of Bursa Securities and other legislative and reporting requirements.
- 7.17 Review any related party transactions and conflict of interest situation that may arise within the Company or the Group, including any transactions, procedure or course of conduct that raises questions of management integrity.
- 7.18 Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the activities or work performed in fulfilling the Audit Committee's primary responsibilities, including details of relevant training attended by each Committee member.
- 7.19 Review the annual enterprise risk profile of the group (including risk registers) and evaluate the Risk Manager's risk assessments of the group and his plans to mitigate business risks as identified from time to time.
- 7.20 Discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed. The contracts cannot be entered into should include:-
 - 7.20.1 Management consulting;
 - 7.20.2 Strategic decision;
 - 7.20.3 Internal audit; and
 - 7.20.4 Policy and standard operating procedures documentation.

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In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's external auditors), the Company is required to state the details on the nature of non-audit services rendered in the Report of Audit Committee.

7.21 Any other activities, as authorised by the Board.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

8. REVISION OF THE TERMS OF REFERENCE

- 8.1 Any revisions or amendments to this Terms of Reference, as proposed by the Audit Committee or any third party, shall be presented to the Board for approval; and
- 8.2 Upon the Board's approval, the said revisions or amendments shall form part of this Term of Reference and this Term of Reference shall be considered duly revised or amended.