



Success Transformer Corporation Berhad
[Registration No. 200301034518 (636939-W)]
(Incorporated in Malaysia)

Terms of Reference of the Audit Committee

(Revised and adopted on 24 May 2022)

1. Objectives

The principal objectives of the Audit Committee (“**AC**”) of Success Transformer Corporation Berhad (“**Company**”) are to assist the Board of Directors (“**Board**”) in discharging its statutory and fiduciary duties and responsibilities relating to accounting and reporting practices of the Company and its subsidiaries (“**Group**”). In addition, the AC shall: -

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

2. Membership

The AC shall be appointed by the Board from amongst the Directors which consists of not less than three (3) members. All the members of the AC must be non-executive directors, with a majority of them being independent directors. No alternate director of the Board shall be appointed as a member of the AC.

*In this respect, the Board adopts the definition of “independent director” as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Malaysia Securities**”) (“**Listing Requirements**”) and any practice notes issues thereto.*

All members of the AC should be financially literate, competent and are able to understand matters under the purview of the AC including the financial reporting process. All members of the AC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

At least one (1) member of the AC: -

- (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- (b) if he is not a member of the MIA, he must have at least three (3) years’ of working experience and:
 - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities.

Any former partner of the Company’s external auditors shall observe a cooling-off period of at least three (3) years before being appointed as a member of the AC. The former partner in this paragraph refers to all former partners of the audit firm and/or the affiliate firms (including those providing advisory services, tax consulting, etc.).

Retirement and resignation

If a member of the AC resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 2 above, the Board shall within three (3) months of the event appoint such number of the new member(s) as may be required to fill the vacancy.

3. Chairman

The members of the AC must elect a Chairman among themselves who shall be an independent director. The Chairman of the AC shall not be the Chairman of the Board. In the absence of the Chairman, the other members of the AC present at the Meeting shall amongst themselves elect another member to chair the Meeting.

The Chairman of the AC is responsible for ensuring the overall effectiveness and independence of the AC. The Chairman should engage on a continuous basis with senior management, the head of internal audit (if any) and the external auditors in order to keep informed of matters affecting the Company.

The Chairman of the AC together with other members of the AC should ensure among others that: -

- the AC is fully informed about significant matters related to the Company’s audit and its financial statements and addresses these matters;
- the AC appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
- the AC’s concerns on matters that may have an effect on the financial or audit of the Company are communicated to the external auditors; and
- there is co-ordination between internal and external auditors.

4. Secretary(ies)

The Secretary(ies) of the AC shall be the Company Secretary(ies) of the Company.

The Secretary(ies) shall be responsible for drawing up the agenda and circulating it prior to each meeting and keeping the minutes of meetings of the AC.

5. Authority

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

- have explicit authority to investigate any matter within its terms of reference;
- have full and unlimited/ unrestricted access to all information, documents and resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Group;
- be able to obtain independent professional or other advice;
- have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- where the AC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the AC shall promptly report such matter to Bursa Malaysia Securities;
- be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function (if any) or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary; and
- be entitled to the services of the Company Secretary(ies).

6. Duties and Responsibilities

The duties and responsibilities of the AC are as follows: -

- (a) to assess the suitability, objectivity and independence of the external auditors, including obtaining written assurance from the external auditors confirming that they are, and have been independent throughout the conduct of audit engagement in accordance with the criteria set out in all relevant professional and regulatory requirements;
- (b) to consider and recommend the appointment of the external auditors, the audit fees and consider any letter of resignation from the external auditors;
- (c) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- (d) to review the appropriateness of external audit fees to support quality audit;
- (e) to review with the external auditors, the audit plan and audit report;

- (f) to review with the external auditors, their evaluation of the system of internal controls;
- (g) to review the assistance given by the employees of the Group to the external auditors;
- (h) to establish, review and approve a policy on non-audit services which may be provided by the external auditors and/or their affiliates (refers to corporations or firms in which the external auditors have financial interest and/or business collaboration by virtue of their international branding), including the conditions and procedures which must be adhered to by the external auditors and/or their affiliates in the provision of such services;
- (i) to review the quarterly results and year-end financial statements of the Group, prior to approval by the Board, focusing particularly on: -
 - changes in or implementation of major accounting policies and practices;
 - 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 applicable accounting standards and other legal requirements.
- (j) to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group whenever deemed necessary,
- (k) to do the following in relation to the internal audit function: -
 - to ensure the internal audit function is independent of the activities it audits;
 - review the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its works;
 - review the internal audit plan, processes, the results of internal audit assessments or investigation undertaken and whether appropriate action is taken on the recommendations of the internal audit function;
 - review the appointment or re-appointment of the internal auditors, the audit fee and questions of resignation or dismissal;
 - review and decide on the budget allocated to the internal audit function; and
 - appraise or assess the performance of members of the internal audit function.
- (l) to do the following in relation to the sustainability:-
 - to review the implementation of the Group's sustainability-related strategies and initiatives;
 - to monitor the establishment and maintenance of a process, including controls, policies and procedures, for the systematic identification, assessment, prioritisation, management, monitoring, and reporting of the Group's material economic, environmental, and social risks and opportunities; and

- to assist the Board pertaining to disclosures in the Sustainability Statement for inclusion in the Company's Annual Report.
- (m) to review and monitor any related parties transactions/business dealings entered into by the Company or the Group and any 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;
- (n) to oversee and recommend the risk management and internal control framework of the Group;
- (o) to review the AC Report, Statement on Internal Audit Function and Statement on Risk Management and Internal Control for inclusion in the Annual Report;
- (p) to review the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Code of Conduct, directions and guidelines established by the relevant regulatory bodies;
- (q) to maintain and keep under review the whistle-blowing mechanism of the Company which shall be in accordance with Whistleblowing Policy, which aims to provide protection and confidentiality;
- (r) to ensure adequate resources to perform its duties, including assigning a competent persons or function to be responsible for anti-corruption compliance matters;
- (s) to identify and direct any special project or investigate and to report on any issue or concern in regard to the Management of the Group;
- (t) to review the annual budgeting of the Group and to recommend to the Board for approval; and
- (u) to consider other matters as defined by the Board.

7. Procedure of the AC Meetings

7.1 Frequency of Meetings

Meetings shall be conducted not less than four (4) times annually. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

7.2 Quorum

In order to form quorum for the meeting, majority of members present must be independent directors.

7.3 Notice of Meetings

Reasonable notice of AC meetings shall be given in writing sent through the post, facsimile, electronic mail and by any means of telecommunication in permanent written form to all the AC members, except in the case of emergency, where the AC may waive such requirement.

7.4 Attendance of Other Directors, Employees and External Parties

The AC may invite other Directors and employees, including external parties such as the external auditors, outsources internal audit function (if appointed) and other consultants to attend any AC meeting to brief the AC on issues that are set out in the meeting agenda.

7.5 Voting and Proceedings of Meetings

The AC members may participate in a meeting by way of telephone and video conferencing or by means of other communications equipment whereby all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting and shall be entitled to vote or be counted in a quorum accordingly.

Questions arising at any meeting of the AC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the AC shall have a second or casting vote. The AC member shall abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

7.6 Circular Resolution

A resolution in writing signed by a majority of the AC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the AC duly called and constituted. Any such resolution may consist of several documents in like form, each signed by one (1) or more AC members. Any such document may be accepted as sufficiently signed by an AC member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an AC member.

7.7 Minutes of Meetings

Minutes of the AC meeting shall be circulated promptly to all members of the AC and once agreed, to all members of the Board for their notation. The Secretary(ies) shall keep record of all conclusions and resolutions passed at all meetings of the AC, including the names and signatures of the attendees.

The Minutes of the AC meetings 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 of the proceedings of the meeting duly held.

Full minutes of the AC meetings shall be kept by the Secretary(ies) at the registered office.

8. Review of the Terms of Reference of the AC

This Terms of Reference shall be periodically reviewed and updated by the AC taking into consideration the needs of the Group and shall be made available on corporate website.