

AVILLION BERHAD
Registration No. [199201013018 (244521-A)]
(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Definitions:

“Act”	:	Companies Act 2016
“Board” or “Directors”	:	The Directors for the time being of the Company or such number of them as have authority to act for the Company.
“Bursa”	:	Bursa Malaysia Securities Berhad
“Committee”	:	The Audit Committee of the Company.
“Company”	:	Avillion Berhad
“CEO”	:	The principal executive officer of the Company for the time being, by whatever name called, and whether or not he or she is a Director.
“Group”	:	The Company and its subsidiaries.
“LR”	:	Bursa Main Market Listing Requirements including any relevant practice and / or guidance notes, directives, guidelines issued pursuant thereto and any amendment, modification, supplemental to the listing requirements that may be made from time to time.
“Company Secretary” or “Secretaries”	:	Any person or persons jointly appointed to perform the duties of a secretary of the Company including any person(s) appointed temporarily and any representative of the secretary.

1. Objectives

The Terms of Reference set out the principles and operations of the Committee.

The Committee is established to assist the Board in fulfilling its statutory and fiduciary duties and responsibilities of overseeing the Group’s financial reporting process, system of risk management and internal controls and adherence to applicable laws, regulations and Bursa LR.

In addition, the Committee shall assist the Board in :-

- (a) complying with specified accounting standards and required disclosure as administered by Bursa, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- (b) presenting a balanced and understandable assessment of the Group’s position and prospects;
- (c) establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company’s auditors and overseeing and appraising the quality of audit conducted by the Company’s internal and external auditors; and
- (d) determining the adequacy of the Group’s administrative, operating, accounting and financial controls.

2. Composition

The Committee shall be appointed by the Board from its members pursuant to a resolution of the Board and must fulfil the following requirements :-

- (a) The Committee must comprise at least three (3) members, consisting wholly of independent non-executive Directors;
- (b) At least one (1) member must be a member of the Malaysian Institute of Accountants or a person who fulfills the requirements as stated in the LR;
- (c) The Chairman must be independent and shall also not be the Chairman of the Board;
- (d) Chairman of the board shall not be a member of the Committee;
- (e) No alternate Director shall be appointed as a member of the Committee; and
- (f) In the event of any vacancy resulting in non-compliance of the minimum of three (3) members requirement, the Board shall upon the recommendation of the Nomination and Remuneration Committee, appoint such number of Directors to fill up such vacancy within three (3) months of the event.

All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board must review the term of office and performance of the Committee, and each of its members, at least once every three years to determine whether the Committee has carried out its duties in accordance with its Terms of Reference.

The Committee has a policy that requires a former key audit partner who was part of the engagement team who made key decisions or judgments on significant matters in respect of the audit of the financial statements of the group, to observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.

3. Meetings

- (a) The Committee shall hold at least four (4) regular meetings per year, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. Additional meetings may be called at any time, at the discretion of the Chairman of the Committee.
- (b) The quorum for a meeting shall be two (2) members of the Committee, who must both be Independent Directors.
- (c) The CEO and other appropriate officer(s) may be invited to attend where their presence are considered appropriate as determined by the Committee's Chairman. Other Board members, employees of the Group and representatives of the External Auditors may attend meetings upon the invitation of the Committee.
- (d) The Internal Auditors have the right to appear and be heard at any meeting of the Committee and are recommended to attend a Committee's meeting at least once a year. The Committee shall meet at least once a year with the External and / or Internal Auditors in the absence of Executive Board members and the Senior Management. Upon the request of the Internal Auditors and / or External Auditors, the Committee Chairman shall also convene a meeting of the Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- (e) The Committee members may participate in a meeting by means of telephone or video conferencing which shall constitute as presence in person and counted as quorum for the meeting.
- (f) Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.

4. Minutes

The Company Secretary or nominee shall be the Secretary of the Committee responsible for drawing up meeting agendas and recording proceedings of meetings.

Minutes shall be distributed to the Committee members, CEO, Chief Financial Officer and Internal Auditors within 4 weeks after the meeting to ensure key actions are taken. The minutes shall be confirmed and approved by the Committee Chairman at the next meeting.

The minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the members of the Board. The Committee Chairman shall report on the proceedings of each meeting to the Board.

The Committee members may inspect the minutes of the Committee at the Registered Office or such other place as may be determined by the Committee.

5. Reporting

The Committee shall report to the Board, either formally in writing or verbally, as it considers appropriate, on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Committee shall report to the Board on any specific matters referred to it by the Board for investigation and reporting.

6. Circular Resolution

A Circular Resolution in writing signed by a majority of the Committee members or approved by letter or email shall be as valid and effectual as if it has been passed at a meeting of the Committee duly convened and held. It shall be presented at the next Committee meeting for noting and recorded by the Company Secretary in the minutes.

Any such resolution may consist of several documents in the like form each signed by two (2) or more Committee members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of a Committee member.

7. Authority

In carrying out its duties and responsibilities, the Committee shall have the following rights :-

- (a) the explicit authority to investigate any matter within its Terms of Reference;
- (b) access to the necessary resources which are required to discharge its duties and responsibilities set out within its Terms of Reference;
- (c) full, free and unrestricted access to any information, records, properties and personnel of the Group which are required to perform its duties;
- (d) direct communication channels with the External and Internal Auditors;
- (e) ability to obtain independent professional or other advice at the Company's costs, and to invite external parties with relevant experience to attend the Committee meetings, if required, and to brief the Committee thereof;
- (f) ability to convene meetings with External and / or Internal Auditors, whenever deemed necessary, excluding the attendance of other Directors and employees of the Group;
- (g) promptly report to Bursa where any matters reported by the Committee to the Board have not been satisfactorily resolved and may result in breach of the LR; and

- (h) the attendance of any particular Committee meeting by other Directors and employees of the Group shall be at the Committee's invitation and discretion, and specific to that relevant meeting only.

The Committee shall report to the Board on matters deliberated and its recommendations thereon.

8. Responsibilities and Duties

In fulfilling its primary objectives, the Committee undertakes, amongst others, the following responsibilities and duties :-

8.1 Financial Reporting

- a) Review the quarterly results and year end financial statements of the Group with the Management and External Auditors before recommending to the Board of Directors ('Board') for approval;
- b) Recommend to the Board, the issuance of the quarterly and financial year end statements of the Group to Bursa; and
- c) Discuss any matters arising from the interim and final audits which the External Auditors may wish to discuss in the absence of the Management, where necessary.

8.2 External Audit

- a) To consider the nomination and appointment of External Auditors; and to consider the adequacy of experience and resources of the External Auditors and approve the proposed audit fee;
- b) To review any letter of resignation from the External Auditors and any questions of resignation or dismissal;
- c) To discuss with the External Auditors, before commencement of audit, the audit plan which outlines the nature and scope of audit and their coordination with component auditors;
- d) To review any significant audit matters arising from the interim and final external audits, the audit report and the assistance provided by the Group's officers to the External Auditors;
- e) To review with the External Auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- f) To review whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment;
- g) To assess the suitability, objectivity and independence of the External Auditors; and
- h) Deliberate on contracts for the provision of non-audit services which can be entered into and procedures that must be adhered by the External Auditors. The contracts which cannot be entered into should include management consulting, policies and standard operating procedures documentation, strategic decisions and internal audit.

8.3 Internal Audit

To review the following in respect of internal audit :-

- a) the risk based annual audit plan, adequacy of scope, frequency and resources to ensure they are aligned to the key business and risk environment;
- b) it has the necessary authority, resources and unrestricted access to the relevant records and information required to carry out its activities;
- c) key outcomes of audit reviews, investigations or ad hoc assignments undertaken and the management's responses and actions taken to ensure that the audit recommendations are addressed appropriately and promptly;

- d) its effectiveness, independence and objectivity in discharging its functions; and
- e) review and approve any appointment, termination or resignation of the internal auditors.

8.4 Risk Management

- a) Review the adequacy and effectiveness of the Group's risk management processes and assess the available resources and competence of the Management and employees involved in the risk management processes;
- b) Evaluate the adequacy and effectiveness of internal control systems deployed by the Management to address the risks identified;
- c) Assess and recommend corrective measures undertaken to rectify any lapses and / or weaknesses;
- d) Follow up and monitor principal risks that may affect the Group directly or indirectly and if deemed necessary, recommend additional course of action to mitigate such risks;
- e) Communicate and monitor risk assessment results for the Board; and
- f) Analyse the actual and potential impact of any shortcomings or deficiencies, particularly those related to financial performance, economic or other conditions impacting the Group.

8.5 Whistleblowing

The Committee shall review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

8.6 Corporate Governance

The Committee's responsibilities include :-

- (a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) To review and monitor the training and continuous professional development of Directors and Senior Management;
- (c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct and compliance / risk management manual (if any) applicable to employees and Directors;
- (e) To review the Company's compliance with the Code and disclosure in its Corporate Governance Report / Statement;
- (f) To report to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so); and
- (g) To prepare a summary of its work during the year for inclusion in the Company's Corporate Governance Report / Statement (including a report on the corporate governance policies and the work of the Committee during the year).

8.7 Others

- a) To review quarterly reporting to Bursa and year end annual financial statements of the Group before submission to the Board, focusing on :-
 - compliance with accounting standards and regulatory requirements;
 - any major changes in accounting policies and practices; and
 - significant and unusual items and events as well as significant adjustments arising from the audit.
- b) To review any related party transaction and conflict-of-interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- c) Review the Audit Committee Report, Statement on Risk Management and Internal Control and Sustainability Statement of the Group for inclusion in the Annual Report and report the same to the Board;
- d) Oversee the Group's internal control structure to ensure administrative, operational and financial effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Group's assets from misappropriation and encourage legal and regulatory compliance;
- e) To promptly report to Bursa if it is of the view that matter reported by it to the Board have not been satisfactorily resolved resulting in breach of the LR; and
- f) To consider any other functions as may be agreed between the Committee and the Board.

9. Elected Members

For information on the current members of the AC, please refer to the **Our Company** section, under **"Corporate Governance"** on the Company's corporate website at www.avillionberhad.com.

10. Review of Terms of Reference

The Terms of Reference shall be reviewed and updated when necessary ie. when there are changes to the Malaysian Code of Corporate Governance, Bursa LR or any other regulatory requirements.

Amendments to the Terms of Reference are subject to recommendations by the Committee and approval by the Board.