



ASDION BERHAD

(Company No. 200201023149 / 590812-D)
(Incorporated in Malaysia)

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



AUDIT COMMITTEE TERMS OF REFERENCE

1. Objectives

The principal objective of the Audit Committee is to assist the Board in fulfilling the following oversight objectives on the Group's activities:

- Assess the Group's processes relating to its risks, governance and control environment
- Oversee financial reporting
- Evaluate internal and external audit process

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

2. Composition

2.1 Members

The members of the Audit Committee will be appointed from amongst Board of Directors which fulfills the following requirements:

- i. The Audit Committee shall consist of no fewer than three (3) members, exclusively non-executive director.
- ii. A majority of the Audit Committee members must be independent directors.
- iii. All members should be financially literate with at least one (1) member of the Audit Committee must be:
 - a) A member of the Malaysian Institute of Accountants; or
 - b) If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
 - He must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - He 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
 - c) Fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities")

No former key audit partner of the Company's external auditors shall be appointed to the Audit Committee unless he/she has observed a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

2.2 Chairman

The members of Audit Committee shall elect a Chairman among their number who shall be an independent director and not the Chairman of the Board.



2.3 Alternate Director

No alternate director shall be appointed as a member of the Audit Committee.

2.4 Vacancy

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

2.5 Review of the Audit Committee

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

3. Meeting

3.1 Frequency of Meetings

Meetings shall be held not less than four (4) times a year and as many times as the Audit Committee deems necessary.

3.2 Quorum

A minimum of two (2) members present shall form a quorum, both of whom present shall be independent non-executive directors.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a chairman who must be independent director to chair the meeting.

3.3 Circular Resolution

A resolution in writing signed or approved by letter, telex, telefax or other written electronic communications by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting. All such resolutions shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in like form, each signed by one or more directors.

3.4 Minutes

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

The minutes of the Audit Committee shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.



3.5 Attendance of Auditors, Other Directors and Employees

The Audit Committee may invite other directors, head of finance, internal auditors, external auditors and any other employees to the meeting and brief the Audit Committee on issues that are incorporated into the agenda.

However, the Audit Committee shall meet with the external auditors without executive board members present at least twice a year. The Audit Committee may also invite other Director and employees to attend any of its meeting to assist in resolving and clarifying matters raised.

3.6 Casting Vote

All matters arising from meetings of the Audit Committee shall be determined by a majority of votes. In the event of an equality of votes, Chairman shall have a casting vote.

3.7 Secretary

The Company Secretary shall be the Secretary of the Audit Committee. The Secretary shall, with the concurrence of the Chairman, draw up the agenda of the meeting. The notice of meeting and the meeting papers or explanatory documentation shall be circulated to the members of the Audit Committee prior to each meeting.

4. Authority

The Audit Committee shall, in accordance with procedure determined by the Board of Directors and at the cost of the Company:

- a) Have authority to investigate any matter within its terms of reference;
- b) Have the resources which are required to perform its duties;
- c) Have full and unrestricted access to any information, document and officers of the Company and the Group for the purpose of discharging its functions and responsibilities;
- d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) Be able to obtain independent professional or other advice;
- f) Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary; and
- g) Be able to secure the attendance of external advisers and shall have the discretion to decide who else other than its own members to attend meetings, if the Audit Committee thinks fit.



5. Duties and Responsibilities

The duties and responsibilities of the Audit Committee include the following:

- a) To review the Company's and the Group's quarterly results and annual financial statement before submission to the Board, focusing on:
 - Any changes in or implementation of accounting policies and practices;
 - Major judgment areas;
 - Significant adjustments proposed by the external auditors;
 - Going concern assumption;
 - Compliance with accounting standards;
 - Compliance with stock exchange and legal requirements; and
 - Significant and unusual events
- b) To review with the external auditors their audit plan, scope and nature of audit for the Company and the Group, their evaluation of the system of internal control, their audit report, their management letter and management's response and the assistance given by the Company's employees to the external auditors;
- c) To assess the adequacy and effectiveness of the system of internal control and accounting control procedures of the Company and the Group;
- d) To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- e) To perform the following, in relation to the internal audit function:
 - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - Review the internal audit programme and results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of internal audit function;
 - Review the internal audit plan, consider the major findings of the internal audits, internal or fraud investigations and actions and steps taken by management in response to audit findings;
 - Review any appraisal or assessment of the performance of the internal audit function;
 - Approve any appointment or termination of the internal audit function;
 - Review the Group's overall approach to risk management and control, and its processes outcomes and disclosure; and
 - Take cognisance of resignations of internal auditors and provide an opportunity to submit the reasons for resigning.
- f) To review any related parties transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions or management integrity;
- g) To consider the appointment of the external auditors and to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment, to consider the nomination of a person or persons as external auditors and the audit fees, the terms of reference of their appointment, and any question of resignation or dismissal;
- h) To verify the allocation of option granted pursuant to Employee Share Option Scheme ("Scheme") and to ensure that the allocation is in compliance with the Bye-Laws of the Scheme;



- i) To act upon the Board of Director's request to investigate and to report to the Board any issues or concerns, activities, significant results and findings;
- j) To promptly report such matter to the Bursa Securities if the Audit Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements; and
- k) To undertake any such responsibilities as may be agreed by the Audit Committee and the Board.