

# **ADVANCECON HOLDINGS BERHAD**

**(Registration No. 199701011469 (426965-M))**

**(Incorporated In Malaysia)**

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

### **1. OBJECTIVE**

The primary objective of the Audit Committee ("Committee") is to provide an independent review of financial reporting and establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of internal control, the audit process and the process of monitoring compliance with relevant laws and regulations.

### **2. COMPOSITION**

The members of Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise of at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being independent. The Board shall at all times ensure that at least one (1) member of the Committee:

- 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' working experience and:
  - i) passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - ii) 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. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No Alternate Director shall be appointed as a member of the Committee. The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the members have carried out their duties in accordance with their Terms of Reference.

A former partner of the external audit firm to observe a cooling-off period of at least three years before being appointed as a member of the committee.

If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three (3) months from the date of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members. All members of the Committee, including the Chairman, shall hold office only so long as they serve as Directors of the Company. Should any member of the Committee cease to be a Director of the Company, his membership in the Committee shall cease forthwith.

### **3. CHAIRMANSHIP**

The Committee shall elect a Chairman from among its members and the elected Chairman shall be an Independent Non-Executive Director. The Chairman shall be responsible for ensuring that the entire Board is kept regularly informed about the Committee's work and, where necessary, must submit matters to the Board for decision.

### **4. AUTHORITY**

- i) The Committee is authorised by the Board to investigate any matter within the Committee's Terms of Reference. It shall have full and unrestricted access to any information pertaining to the Company and its subsidiaries ("the Group") and shall have the resources it requires to perform its duties. All employees (including Executive Directors) of the Group are required to comply with the requests made by the Committee;
- ii) The Committee is authorised by the Board to investigate any matter within its terms of reference, including possible fraud, illegal acts or suspected violation of the Code of Conduct involving Senior Management personnel or members of the Board. All employees shall be directed to co-operate as requested by the committee.
- iii) The Committee is authorised by the Board to obtain external legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company;
- iv) The Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- v) The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Executive Directors and employees of the Company, whenever deemed necessary, in order to enable the Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter the external auditors or internal auditors may wish to bring up to the attention of the Committee;
- vi) The internal auditor will submit their Internal Auditors Report directly to the Committee and shall have direct access to the Chairman of the Committee on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of senior staff members of the internal audit of the Group shall require prior approval of the Committee. The Committee is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member an opportunity to submit his reasons for resigning; and
- vii) Where the Committee is of the view that a matter reported by it to the Board has not been satisfactory resolved resulting in a breach of the Main Market

Listing Requirements of Bursa Malaysia Securities Berhad, the Committee is authorised to promptly report such matter to Bursa Malaysia Securities Berhad.

## **5. DUTIES AND RESPONSIBILITIES**

In fulfilling its primary objectives, the Committee shall undertake, amongst others, the following duties and responsibilities:

### **5.1 Financial Reporting**

To review and approve our quarterly and annual financial statements for recommendation to our Board, focusing in particular on:-

- i) Any changes in or implementation of major accounting policies and practices;
- ii) 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
- iii) Compliance with accounting standards and other regulatory or legal requirements.

### **5.2 Internal Control**

- i) To consider the effectiveness of the internal control system within the Group;
- ii) To assess and ensure that the processes and procedures in place are in compliance with the rules, regulations, directives, and guidelines established by the relevant regulatory bodies;
- iii) To ensure that the system of internal control in place is effectively administered and regularly monitored;
- iv) To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group;
- v) To review on the policies implemented by the Company to ensure that controls in place;
- vi) To review with the external and internal auditors their evaluations of the system of internal accounting controls, in particular with regard to the adequacy of the Group's internal control system;
- vii) To review the findings of internal investigations into matters within its Terms of Reference; and
- viii) To review the design adequacy, implementation and operating effectiveness of the Group's anti-bribery and corruption controls and corruption risk management processes.

- ix) To report to the Board of Directors any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

### **5.3 Internal Audit Function**

- i) To review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and/or outsourced internal auditors (if any) to perform its duties;
- ii) To review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;
- iii) To review and approve the internal audit plan and the internal audit report and, where necessary, ensure that appropriate actions are taken on the recommendations made by the internal audit function;
- iv) To receive and review on a regular basis the reports, findings and recommendations of the internal audit team and/or outsourced internal auditors and to ensure that appropriate actions have been taken to implement the audit recommendations;
- v) To ensure the internal audit team and/or outsourced internal auditors has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties;
- vi) To review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or the outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party; and
- vii) To request and review any special audit which the Committee deems necessary.

### **5.4 External Audit**

- i) To review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;
- ii) To review the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors;
- iii) To consider the appointment, re-appointment and/or removal of external auditors, their audit fees and term of engagement and any question of their resignation and or (supported by grounds) to believe that the external auditors is not suitable for re-appointment and to recommend to the Board;
- iv) To review the assistance given by the employees of the Company to the external auditors;

- v) To review the external auditors' audit report, and management letter and Board and management's response to the management letter;
- vi) To review the external auditors' findings arising from audits, particularly any comments and responses in audit recommendations as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken;
- vii) To review any letter of resignation from the external auditors of the Company;
- viii) To review with the external auditors the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report;
- ix) To review with the external auditors the key audit matters of their audit report to the shareholders of the Company; and
- x) To require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the Committee.

## **5.5 Related Party Transactions/Conflict of Interest Situations**

To review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group which were declared and/or brought to the attention of the Committee and the measures taken to resolve, eliminate or mitigate such conflicts.

## **5.6 Audit Reports**

To prepare the Annual Committee Report to the Board which includes:-

- i) Composition of the Committee, including the name, designation (indicating the Chairman), and directorship of the members (indicating whether independent or otherwise) and its Terms of Reference;
- ii) The number of Committee meetings held during the financial year and details of attendance of each member;
- iii) Summary of the work of the Committee in discharging of its functions and duties for that financial year and how the Committee has met its responsibilities; and
- iv) Summary of the work of the internal audit function.

## **5.7 Other Matters**

- i) To verify the allocation of options pursuant to the Share Issuance Scheme or the allocation of shares pursuant to any incentive plan for employees of the Group at the end of each financial year as being in compliance with the criteria which is disclosed to the employees and make a statement in the Annual Report that such allocation has been verified;

- ii) Review the Board's statements on compliance with the Malaysian Code of Corporate Governance 2017 for inclusion in the Annual Report;
- iii) To exercise its powers and carry out its responsibilities as may be required from time to time under the Whistle Blowing Policy of the Group; and
- iv) To perform such other functions as may be requested by our Board;

The recommendations of Committee are subject to the approval of the Board.

## **6. MEETINGS**

### **6.1 Frequency of Meeting**

The Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Committee Chairman's discretion.

Committee shall conduct face-to face meetings, however, subject to the notice and quorum requirements as provided in the Terms of Reference, meetings of the Committee may be held and conducted through telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

In addition, the Committee may take action by unanimous written consent of its members, including dealing with matters by way of circular resolutions in lieu of convening a formal meeting.

### **6.2 Quorum**

The quorum for a meeting of the Committee shall consist of not less than two (2) members, majority of members present must be Independent Non-Executive Directors. In the absence of a quorum, the meeting shall be adjourned to such other date and at such other time and venue as the Committee may determine.

In the event the elected Chairman is not able to attend a meeting, a member of the Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Non-Executive Director.

### **6.3 Notice of Meeting and Supporting Papers**

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, at least seven (7) days before the date of the meeting. Supporting Papers shall be sent to committee members and to other attendees as appropriate, at the same time.

#### **6.4 Voting**

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

#### **6.5 Attendance**

The Committee may invite any person to be in attendance to assist it in its deliberations. The Chief Financial Officer, General Manager, and/or other Board members may attend the meetings only at the invitation of the Committee.

#### **6.6 Secretary and Minutes of Meetings**

The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the Committee. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Committee and ensure that the minutes are properly kept and produced for inspection if required.

The Company Secretary shall distribute copies of the minutes of Committee meeting to all its members at next meeting.

The minutes of meetings must be reviewed by the Chairman of Committee before circulation to the members of Committee.

The Committee shall report to the Board and the minutes of each meeting shall be tabled to the Board for notation.

The minutes of meetings and conclusions of the meetings should be entered into the Minutes Book kept by the Company Secretary of the Company. 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.

#### **6.7 Circular Resolution**

A resolution in writing, signed by a majority of the Committee members present in Malaysia for the time being entitled to receive notice of a meeting of the Committee, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more of the members of the Committee. The expressions "in writing" and "signed" include approval by text message, telefax, telex, cable or telegram by any such member of the Committee.

### **7. PARTICIPATION IN MEETING BY TELE-CONFERENCING**

A Director may participate in a Committee meeting by means of a conference telephone or any communication equipment which allows all persons participating at the meeting to hear and speak with each other and shall be deemed as present at such meeting.

**8. ANNUAL GENERAL MEETING**

A member of the Committee shall attend the Annual General Meeting (including Extraordinary General Meeting) to answer any shareholder's questions on Committee's activities.

**9. REVISION AND UPDATES**

This Terms of Reference will be reviewed and updated at least once a financial year by the Committee for the Board's approval to ensure it remains consistent with the Committee's objectives and responsibilities.

END.