

## **TERMS OF REFERENCE – AUDIT COMMITTEE**

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### **I. Objectives**

The objectives of the Audit Committee are as follows:

- (1) To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices for the Company;
- (2) To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors;
- (3) To avail to the external and internal auditors a private and confidential audience at any time they desire and to request such audience through the Chairman of the Committee, with or without the prior knowledge of Management;
- (4) To act upon the Board's request to investigate and report on any issue of concern with regard to the management of the Company; and
- (5) To ensure compliance with any such changes / amendments / updates / insertions of the listing requirements and any other applicable laws and regulations, arising thereof from time to time.

### **II. Composition**

The Audit Committee shall be appointed by the Board from amongst their members and shall consist of not less than three (3) members. All the Audit Committee members must be non-executive directors with a majority of them being Independent Directors.

At least one member of the Audit Committee:

- (1) must be a member of the Malaysian Institute of Accountants (MIA); or
- (2) he must have at least 3 years' working experience and:
  - (a) he must have passed the examinations specified in Part 1 of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - (b) he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
- (3) he must fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa").

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

The members of the Committee shall among them elect a Chairman who shall be an Independent Director.

A cooling-off period of at least two years is required if the Board intends to appoint a former key audit partner as a member of the Committee.

The terms of office and the performance of each member shall be reviewed annually by Nomination Committee for its reporting to the Board. If the membership of the Committee falls below three due to retirement or resignation or any other reason, the vacancy must be filled not later than three months.

### **III. Meetings**

The Committee shall meet at least four (4) times a year and as many times as the Committee deems necessary.

The quorum for a meeting shall be two (2) members, and if only two members are present both of them must be Independent Directors. If the number of members present for the meeting is more than two (2), the majority of members present must be Independent Directors.

The Company Secretary shall be the Secretary to the Audit Committee.

The Group Accountant will normally attend the meetings to brief and highlight to the Committee on the Group performance through the quarterly financial reports and any significant control issues/concerns. Other Board members and employees may attend meetings upon the invitation of the Committee. The presence of the external auditors will be by invitation as and when required.

Minutes of each meeting shall be kept by the Secretary as evidence that the Committee had discharged its functions. The Chairman of the Committee will report to the Board after each Audit Committee meeting. The approved minutes of Audit Committee meetings are forwarded to Board members for information. In the absence of the Chairman of the Committee, members present shall elect a Chairman for the meeting from amongst the Independent Directors.

A committee member shall be deemed to be present at a meeting of the Committee if he participates by instantaneous telecommunication device and all members of the Committee participating in the meeting of the Committee are able to hear each other and recognize each other's voice, and for this purpose, participation constitutes prima facie proof of recognition. For the purposes of recording attendance, the Chairman or Secretary of the Committee shall mark on the attendance sheet that the committee member was present and participating by instantaneous telecommunication device.

A committee member may not leave the meeting by disconnecting his instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the meeting and a committee member will be conclusively presumed to have been present and to have formed part of the quorum at all times during the committee meeting by instantaneous telecommunication device unless he has previously obtained the express consent of the Chairman of the committee meeting to leave the meeting.

Minutes of the proceedings at a committee meeting by instantaneous telecommunication device will be sufficient evidence of such proceedings and of the observance of all necessary

formalities if certified as correct minutes by the Chairman of the committee meeting. Instantaneous telecommunication device means any telecommunication conferencing device with or without visual capacity.

A resolution in writing signed or approved by a majority of the Committee and who are sufficient to form a quorum shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted.

#### **IV. Authority**

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

- (1) have explicit authority to investigate any matters of the Company and its subsidiaries, within its terms of reference, where it deems necessary, investigate any matter referred to it or that it has come across in respect of a transaction that raises questions of management integrity, possible conflict of interest, or abuse by a significant or controlling shareholder;
- (2) have resources which are required to perform its duties;
- (3) have full and unrestricted access to the Chairman and Directors and to any information pertaining to the Company which it requires in the course of performing its duties;
- (4) (i) have direct communication channels with the external auditors;  
(ii) have direct authority over the internal audit function of which is independent from management and operations;
- (5) be able to obtain and seek outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- (6) 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; and
- (7) ensure that the internal auditors report directly to the Audit Committee and shall have access to the Audit Committee's Chairman on all matters of control and audit.

#### **V. Functions and Duties**

- (1) (i) To consider and recommend the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal, and inquire into the staffing and competence of the external auditors in performing their work and assistance given by the Company's officers to the external auditors.  
  
(ii) Where the external auditors are removed from office or give notice to the Company of their desire to resign as external auditors, the Committee shall ensure that the Company immediately notify Bursa and forward to Bursa a copy of any written representations or written explanations of the resignation made by the

external auditors at the same time as copies of such representations or explanations are submitted to the Registrar of Companies pursuant to section 284 of the Companies Act 2016.

- (iii) To determine the suitability and independence of the external auditors on annual basis, the following shall be taken into consideration by the Audit Committee:
- The adequacy of the external auditors' experience and resources;
  - The ability of external auditors to meet agreed deadlines in providing services and issues are responded in a timely manner as contemplated in the external auditor plan;
  - The nature and fees of the non-audit services provided by the external auditor; and
  - 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 auditor.
- (2) (i) To discuss with the external auditors before the audit commences the nature, scope and any significant problems that may be foreseen in the audit, ensure adequate tests to verify the accounts and procedures of the Company and ensure co-ordination where more than one audit firm is involved; and
- (ii) To ensure and confirm that the management has placed no restriction on the scope of the audit.
- (3) To review the quarterly announcements to Bursa and financial statements before submission to the Board, focusing particularly on:-
- (a) any changes in accounting policies and practice;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) any significant transactions which are not a normal part of the Group's business;
  - (e) the going concern assumptions;
  - (f) compliance with the accounting standards;
  - (g) compliance with stock exchange and legal requirements;
  - (h) assess the quality and effectiveness of the internal control system and the efficiency of the Company operations;
  - (i) the quality and effectiveness of the entire accounting and internal control systems; and
  - (j) the adequacy the disclosure of information essential to a fair and full presentation of the financial affairs of the Group.
- (4) To discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of the management where necessary).
- (5) To review all areas of significant financial risks and the arrangements in place to contain these risks to acceptable levels.
- (6) For the internal audit function, to assess internal auditors on whether they are free from any relationships or conflict of interest which could impair their objectivity and

independence as well as:

- (a) Review the adequacy of the competency of the internal audit function including the scope and resources of the internal audit functions and ensuring that the internal auditors have the necessary authority to carry out their work on annual basis;
- (b) Review internal audit plan;
- (c) Ensure co-ordination of external audit with internal audit;
- (d) Consider major findings of internal audit management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
- (e) If the internal audit function is outsourced:-
  - To consider and recommend the appointment or termination of the internal auditors, the fee and inquire into the staffing and competence of the internal auditors in performing their work.
- (f) If the internal audit function is performed in-house,
  - (i) To review any appraisal or assessment of the performance of the staff of the internal audit function and the Continuing Professional Education attended;
  - (ii) To approve any appointment or termination of senior staff member of the internal audit function; and
  - (iii) To inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason of resignation.
- (7) For the risk management function, to:
  - (a) Review and recommend the Risk Management Framework and Policy for approval by the Board;
  - (b) Recommend to the Board on proposed changes in risk management policies and procedures as well as strategies and appetite, as and when necessary; and
  - (c) Review reports on compliance with risk management policies and recommend action when necessary.
- (8) To review the external auditors' management letter and management's response.
- (9) To consider:
  - (a) Reviewing any conflict of interest situation of the directors and management;

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- (b) Any related party transactions that may arise within the Company or the Group and to ensure that Directors report such transactions annually to shareholders via the annual report; and
  - (c) In respect of the recurrent related party transactions of revenue or trading nature which are subject of a shareholder's mandate, prescribe guidelines and review procedures to ascertain that such transactions are in compliance with the terms of the shareholders' mandate.
- (10) To report to Bursa on matters reported by it to the Board that has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa.
- (11) To consider other topics, as may be defined and directed by the Board from time to time.

The terms of reference are updated and adopted by the Board on 29 June 2020.