

TERMS OF REFERENCE – AUDIT COMMITTEE**1. INTRODUCTION**

The Audit Committee (“Committee”) is a governing body appointed by the Board of Directors (“BOD”), which is charged with oversight of AEON Credit Service (M) Berhad and its subsidiaries (“the Group”) audit, accounting, governance, risk and internal control functions as promulgated by the relevant requirements or guidelines.

2. PRIMARY PURPOSE

The primary purpose of the Committee is to assist the BOD in fulfilling its fiduciary duties and responsibilities relating to the following objectives of the Group:

- a. Improve the quality of the accounting function, internal controls and audit function and strengthen the confidence of the public in the Group’s reported results.
- b. Maintain a direct line of communication between the BOD, the external auditors and internal auditors through regular interactions and meetings.
- c. Enhance the independence of both the external and internal audit functions through active participation in the audit process.
- d. Create a climate of compliance, discipline and control which will deter the incidence of fraud and financial mismanagement.

3. MEMBERSHIP

The BOD shall appoint Committee members from amongst its members, comprising no fewer than 3 directors, all of whom must be Non-Executive Directors and the majority of whom shall be Independent Directors and in accordance with the requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”) or relevant legislation or guidelines. In this respect, the BOD adopts the definition of “independent directors” as defined under the Main Market Listing Requirement (“MMLR”) of Bursa Securities.

All members of the Committee shall be financially literate and at least one (1) member of the Committee:

- a. must be a member of the Malaysian Institute of Accountants (MIA); or
- b. If he or she is not a member of MIA, he or she must have at least 3 years of working experience, and:
 - He or she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - He or she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- c. fulfils such other requirements as prescribed or approved by Bursa Securities and/or such other relevant authorities from time to time.

Collectively, the Committee shall have a wide range of necessary skills, knowledge and experience in discharging its duties and responsibilities, and are able to understand matters under the purview of the Committee. All members of the Committee shall undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The Chairman of the BOD shall not be the Chairman of the Committee elected among the members of the Committee. In addition, the Chairman of the Committee shall be an Independent Non-Executive Director and no alternate director of the BOD shall be appointed as a member of the Committee. For engagement of a former partner of the external audit firm of the Group as member of the Committee, there must be a cooling-off period of at least three (3) years before being appointed as a member of the Committee.

In the event of any vacancy resulting in non-compliance with the requirements on composition of the Committee, the BOD must fill the vacancy within three (3) months of that event, appoint such number of new members as may be required to fill the vacancy.

The BOD shall via the Nomination and Remuneration Committee review the term of office and performance of the Committee and each of its members annually to determine if their duties have been carried out in accordance with this terms of reference.

4. MEETINGS

Meeting shall be convened at least four (4) times during the financial year and held to coincide with the key dates in the Group's financial reporting (quarterly results and annual reporting) and audit cycle. Additional meetings may be called by the Chairman if necessary in order to fulfill its responsibilities.

The quorum for the meeting shall be two (2) and the majority of members present must be independent directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present. Each member of the Committee is entitled to one (1) vote in deciding the matters deliberated in the Meeting. In the event of equality of votes, the Chairman of the Committee shall have a second or casting vote.

The Company Secretary shall be appointed Secretary of the Committee ("The Secretary"). The Secretary shall, in conjunction with the Chairman, draw up an agenda, which shall be circulated together with relevant supporting papers, at least 1 week prior to each meeting, to the Committee members. The Secretary shall be entrusted to record all proceedings and minutes of meetings of the Committee and the minutes shall be kept by the Secretary at the Registered Office for the custody, production and inspection of such minutes. The minutes of the Committee Meeting shall be confirmed by the Committee at the next meeting, and tabled to the BOD for notation.

The Committee may deal with matters by way of circular resolution in lieu of convening a formal meeting. A resolution in writing, signed or approved via other forms of electronic communications by all members of the Committee, shall be as valid and effectual as it had been passed at a meeting of the Committee. All resolutions passed in lieu of meeting shall be recorded by the Secretary in the Minutes book.

As and when deemed necessary, other BOD members and/or employees may attend specific meetings at the invitation of the Committee. The Chairman shall report on each meeting to the BOD summarising the Committee's meeting proceedings and the related significant results and findings.

The Committee shall meet at least twice a year with the Head of Internal Audit and at least twice a year with the external auditors to discuss any matters without the presence of the management and any executive members of the BOD.

The Committee may conduct its meeting to include participation thereat by any member or invitee via video conference or teleconferencing or such other means as may be agreed by the Committee.

The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder's questions on the Committee's activities, roles and responsibilities.

5. AUTHORITY

The Committee shall have the following authority as empowered by the BOD:

- a) Investigate any matter within its terms of reference.
- b) Seek any information it requires from employees who are required to cooperate with any request made by Committee.
- c) Have full and unrestricted access to any information pertaining to the Group.
- d) Have direct communication channels with internal and external auditors and with Senior Management of the Group.
- e) Have the resources, which are required to perform its duties.
- f) Be able to obtain independent professional advice as it considers necessary, at the cost of the Group.
- g) Be able to convene meetings with the external auditors, internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

The Chairman of the Committee shall engage on a continuous basis with the Chairman of BOD and Senior Management, such as the Managing Director, the Chief Financial Officer, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Group.

Where the Committee is of the view that a matter reported by it to the BOD has not been satisfactorily resolved resulting in a breach of the MMLR of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

6. RESPONSIBILITIES AND DUTIES

Pursuant to Paragraph 15.12 of the MMLR of Bursa Securities (or any other succession/ deletions/ changes thereof), the following duties shall be discharged by the Committee and the same shall be reported/recommended, where applicable to the BOD:

- a. Review with the external auditors, the audit scope and plan including any changes to the planned scope of the audit and the proposed audit fees in connection with the statutory audit.
- b. Review the suitability, independence and objectivity of the external auditors and their services, including non-audit services.
- c. To consider the appointment/re-appointment of the external auditors, the terms of reference of the said appointment/re-appointment and any question on resignation and dismissal of external auditors before making a recommendation to the BOD, and in making the determination of the appointment/ re-appointment of the external auditors, in addition to the suitability factors as set out below:
 - i. the adequacy of the experience, competence, audit quality and resource capacity of the accounting firm;
 - ii. the persons assigned to the audit;
 - iii. the accounting firm's audit engagements;
 - iv. the size and complexity of the Group or Company being audited;
 - v. the number and experience of supervisory and professional staff assigned to the particular audit. To also consider the performance of the external auditors and its independence such as:
 - the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; 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.
 - vi. the appropriateness of audit fees to support a quality audit.

- d. Review and recommend to the BOD for approval the non-audit services rendered by the external auditors and/or its network firms or its affiliates to the Group for the financial year, including the nature of the non-audit services, fees for the non-audit services (individually and in aggregate) relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided. In the event that the non-audit fees paid to the Group's external auditors, or a firm or corporation or affiliated to the external auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Group's external auditors), the Group is required to state the details on the nature of the non-audit services rendered in the Group's annual report.
- e. Review and approve the Internal Audit Policy and Charter to ensure that the internal audit function is independent of the work it audits and to identify a head of internal audit who reports directly to the Committee. The head of internal audit should have the relevant qualification and be responsible for providing assurance to the Committee that the internal controls are operating effectively. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, anti-corruption, whistle-blowing and governance processes within the Group. The head of internal audit shall have unrestricted access to the Committee Members.
- f. Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out the work.
- g. Review the external and internal audit reports, process and investigation reports, findings of any examination or assessment conducted by the Regulators and whether or not appropriate action is taken by management on the recommendations made.
- h. Review the assistance given by Group's officers to the internal and external auditors and any difficulties encountered in the course of work including any restrictions on the scope of activities or access to required information.
- i. Review the appointment, transfer and dismissal of the Head of Internal Audit as well as to evaluate the performance of the Internal Audit function.
- j. Note resignations of internal audit senior staff members, and providing the resigning staff member an opportunity to submit his/her reasons for resigning.
- k. Review the Group's quarterly results and year-end financial statements prior to submission to the BOD for approval, focusing particularly on:-
 - i. changes in or implementation of major accounting policy changes;
 - ii. significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - iii. significant adjustments arising from the audit;
 - iv. the going concern assumption; and
 - v. compliance with accounting standards and other legal requirements.

- l. Review any related party transactions and conflict of interest situation that arose, persist or may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts as well as to ensure that the related party transactions carried out are in the best interest of the Group and not detrimental to the minority shareholders.
- m. Review the statement on the state of risk management and internal controls of the Group for inclusion in the Annual Report.
- n. Review any other financial and governance related matters that may be considered/requested by the BOD from time to time.
- o. To carry out such other assignments as may be agreed upon or delegated by the BOD.

7. DISCLOSURE

The Committee shall prepare a Committee Report concerning its activities at the end of each financial year to be tabled to the BOD and for inclusion in the Annual Report of the Group. The Committee Report shall include the following information:

- a) Composition of the Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- b) Number of Committee Meetings held during the financial year and details of attendance of each Committee member;
- c) Summary of the work carried out by the Committee in the discharge of its functions and duties for that financial year of the Group and how it has met its responsibilities;
- d) Summary of the work of the internal audit function; and
- e) Summary of any conflict of interest or potential conflict of interest situation reviewed by the Committee (excluding a related party transaction) and the measures taken to resolve, eliminate or mitigate such conflicts.

The Committee shall also assist the BOD in making the following additional statements in the Group's Annual Report:

- Statement explaining the BOD's responsibility for preparing the annual audited financial statements of the Group;
- Statement about the state of risk management and internal controls of the Group.