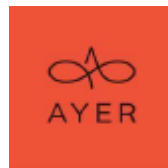


AUDIT COMMITTEE

TERMS OF REFERENCE



AYER HOLDINGS BERHAD (37-K)

Updated as at 17 October 2019

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A. Objectives

The Audit Committee (“AC”) is established as a committee by the Board of Directors (“Board”) of AYER Holdings Berhad and its subsidiaries (“Company”) to perform the following duties:

1. Provide oversight to the statutory financial reporting process to ensure financial statements of the Company are fairly and accurately presented;
2. To review the Company’s business process, the quality of the accounting function, financial reporting and the system of internal controls.
3. To enhance the independence of both the external and internal audit functions by providing direction to and oversight of these functions on behalf of the Board.

B. Composition and Appointment

1. The AC members shall be appointed by the Board from amongst their number and shall consist a minimum of three (3) members, all of whom shall be Non-Executive Directors, with a majority of whom shall be Independent Directors;
2. No alternate Director shall be appointed as a member of the AC;
3. The Chairman of the AC (“Chairman”) shall be elected from amongst the AC members and must be an Independent Non-Executive Director approved by the Board and is not the Chairman of the Board.
4. In the event the AC decides on onboarding a former key audit partner, a cooling off period of at least two (2) years must be observed.
5. At least one (1) member of the AC must be a member of the Malaysian Institute of Accountants or shall fulfil such other requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa”). All members should be financially literate.
6. The committee chairman is required to attend the annual general meeting to answer shareholder questions.
7. The terms of office and performance of the AC and each of its members shall be reviewed by the Nomination and Remuneration Committee annually to determine whether such AC and members have carried out their duties in accordance with the terms of reference
8. The Board shall also review the composition, performance and effectiveness of the AC and each of its members annually to ensure that the Committee has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.

C. Authority

The AC shall have the authority to:

1. Have full and unrestricted access to all information and resources within the Company to perform its duties including investigation of significant matters.
2. Appoint external parties for the purposes of obtaining independent professional advice, expertise and services if the AC consider it as necessary.
3. Invite any employees/ Directors of the Company or external parties engaged by the Company to attend AC meetings if the AC deems necessary.
4. Provide recommendations to the Board for decision making as required.

D. Functions and Duties

The main functions and duties of the AC shall include, but are not limited to the following:

1. Financial Reporting
 - a. Review the quarterly results and annual financial statements before submission to the Board for approval and release to Bursa, focusing particularly on:
 - (i) going concern for the Company;
 - (ii) any changes or implementation in major accounting policies and practices;
 - (iii) significant matters including adjustment resulting from the audit and unusual events and area where there are major judgemental considerations; and
 - (iv) compliance with accounting standards, stock exchange rules and other legal requirements.
 - b. Review the financial reporting process, detection of financial irregularities and ascertain that the financial statements are consistent with the operational information.
 - c. Review the financial statements presents a true and fair view of the company's financial position and performance.
 - d. The AC must exhibit the appropriate level of vigilance and scepticism towards the financial reports by asking probing questions and challenging management assertions.
2. Oversight of External Auditors
 - a. Review annually the appointment of the external auditors based on due consideration on their performance, independence, competency, resource capacity and objectivity
 - b. To recommend the remuneration for both audit and non-audit services to the Board.
 - c. Approve the terms of engagement stated in the engagement letter.
 - d. Review the audit plan, the evaluation of the systems of internal control and the audit report with the external auditors;
 - e. Review the assistance given by the employees of the Group to the external auditors
 - f. To make appropriate recommendations to the Board on all audit related matters including resignation, dismissal or cessation of the appointment to office if required.
3. Internal Audit
 - a. Review annually the appointment of the internal auditors based on their ability to carry the internal audit function with the necessary authority, competency and independence.
 - b. Review and approve the annual internal audit plan.
 - c. Ensure the internal audit assessments are deliberated and appropriate actions are/ will be taken to address the findings;
 - d. To disclose the details of the internal auditor annually to the Board including:
 - The independence and objectivity of the internal audit personnel; and
 - The compliance to the recognised framework.
4. Internal Controls
 - a. Review all related party transaction and conflict of interest relationships that may arise within the Company that raises questions of management's integrity;
 - b. Review the Company's business process and the system of internal controls;

- c. Enhance the independence of both the external and internal audit functions;
- d. To practice an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements, preventing the abuse of power, corruption, insider trading and money laundering; and 'Whistleblower Policy' is implemented across the Company, and complied with.
- e. Where there are significant matters requiring judgement, the AC should ask probing questions to ascertain whether the financial statements are consistent with operational and other information known.

5. Reporting of breaches to the Exchange

Where an AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach, the AC must promptly report the matter to the Exchange.

6. Training

- a. All members of the AC should undertake continuous professional development to keep abreast of relevant developments in the accounting and auditing standards.

E. Quorum and Conduct of Meetings

1. The quorum for a meeting of the AC shall be two (2) members whereby both members must be Independent Directors.
2. The AC shall convene a meeting at least four times in the financial year.
3. The company secretary of the committee will ensure that the AC receives information and papers timely, to enable full and proper consideration on all matters.
4. AC meetings shall be conducted in accordance with the provisions of the company's constitution for AYER in governing the proceedings of Directors.
5. The minutes of the meeting shall be signed by the Chairman of the AC, circulated to all members and the Board of Directors and will then be deemed conclusive.
6. The Chairman of the AC shall report formally to the Board, at each Board meeting, on the proceedings of the Committee since the previous Board meeting.
7. A meeting of the AC shall normally be conducted fact-to-face to enable effective discussion; however, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the AC. Such participation in a meeting shall constitute presence in person at such meeting.
8. The AC may from time to time, consider and/or recommend relevant matters for approval via a circular resolution in writing, which will be deemed as valid and effectual.

F. Review of the Terms of Reference

The AC shall recommend any changes to its terms of reference in such matters as the AC deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary if there are any compulsory changes required in accordance with any legislation, regulations, directives or order in law. It shall also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the AC's role.

This AC Terms of Reference was approved at the Board meeting on 19 November 2019.