

**MILUX CORPORATION BERHAD**

(Company No. 313619-W)

(Incorporated in Malaysia)

**Terms of Reference of  
Audit and Risk Committee**

**1. Composition of Members**

The Audit and Risk Committee ("**the Committee**") shall be appointed by the Board from amongst the Directors of the Company and shall comprise no fewer than three (3) members, all of whom shall be Non-Executive Directors, with a majority being Independent Directors.

*In this respect, the Board adopts the definition of "independent director" as defined under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**").*

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

- must be a member of the Malaysian Institute of Accountants; or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and
  - he/she must have passed the examination specified in Part I of the 1<sup>st</sup> Schedule to the Accountants Act, 1967; or
  - he/she 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
- fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad

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

No former key audit partner shall be appointed as a member of the Committee unless the said former key audit partner has observed a cooling-off period of at least two years before being 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 and Remuneration Committee annually to determine whether the Committee and its members have carried out their duties in accordance with this terms of reference.

**Retirement and resignation**

If a member of the Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 1 above, 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.

**MILUX CORPORATION BERHAD**

(Company No. 313619-W)

(Incorporated in Malaysia)

(Terms of Reference – Audit and Risk Committee – cont'd)

**2. Chairman**

The Chairman of the Committee is not the Chairman of the Board. The members of the Committee shall elect the Chairman from among their number who shall be an Independent Director. In the event of any vacancy arises in the office of the Chairman of the Committee, the vacancy must be filled within three (3) months of that event.

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

**3. Secretary**

The Company Secretary shall be the Secretary of the Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

**4. Meetings**

The Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

Notice of Committee meetings shall be given to all the Committee members unless the Committee waives such requirement.

The Chairman of the Committee shall engage on a continuous basis with the Chairman of the Board (if available), senior management, such as the Managing Director and the Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

The Chief Financial Officer and a representative of the internal and external auditors respectively should normally attend meetings (if so required). Other Board members and employees may attend meetings upon the invitation of the Committee. The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

**MILUX CORPORATION BERHAD**

(Company No. 313619-W)

(Incorporated in Malaysia)

(Terms of Reference – Audit and Risk Committee – cont'd)

Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.

**5. Minutes**

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

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

**6. Quorum**

The quorum for the Committee Meeting shall be the majority of members present whom must be independent directors.

**7. Circular Resolutions**

A resolution in writing signed by a majority of the Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Committee members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by email, telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of a Committee member.

**8. Reporting**

The Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

**9. Objectives**

The principal objectives of the Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and to ensure policies and framework are in place to manage risks faced by the Group. In addition, the Committee shall:-

**MILUX CORPORATION BERHAD**

(Company No. 313619-W)

(Incorporated in Malaysia)

(Terms of Reference – Audit and Risk Committee – cont'd)

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance to the Board that the financial statements presented by management is relevant, reliable, timely and comply with the applicable financial reporting standards;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct;
- (d) determine the quality, adequacy and effectiveness of the Company's risk management and internal control environment; and
- (e) receives assurance from Managing Director and/or Executive Director and/or Chief Financial Officer on whether the Company's risk management and internal control system are operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Company.

**10. Authority**

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

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, with full access to information and is authorised to call upon any employee to seek information the Committee requires. All employees shall be required to co-operate as requested by members of the Committee;
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company;
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary;
- (d) have direct communication channels with the internal and external auditors and person(s) carrying out the internal and external audit functions or activities (if any); and
- (f) where the Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements, the Committee shall promptly report such matter to Bursa Securities.

**MILUX CORPORATION BERHAD**

(Company No. 313619-W)

(Incorporated in Malaysia)

(Terms of Reference – Audit and Risk Committee – cont'd)

**11. Duties and Responsibilities**

The duties and responsibilities of the Committee shall include:-

- 11.1 to recommend and consider the appointment and re-appointment of the external auditors, their audit fee and any question of their resignation or dismissal to the Board.
- 11.2 to review with the external auditors the audit plans, evaluation on the internal controls and their audit reports and to consider adequacy of Management's action taken on external audit reports.
- 11.3 to discuss the nature and scope of the audit with the external auditors before the audit commence.
- 11.4 to review the assistance given by the employees of the Company to the external Auditors.
- 11.5 to review the quarterly results and year end financial statements of the Company and the Group before submission to the Board, focusing particularly on:-
  - public announcements of results and dividend payment;
  - any changes in or implementation of major accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed
  - the going-concern assumption;
  - compliance with accounting standards; and
  - compliance with stock exchange and legal requirements.
- 11.6 to discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss (in the absence of management where necessary).
- 11.7 to monitor the independence and qualification of the Company's external auditors.
- 11.8 to keep under review the effectiveness of risk management and internal control system and, in particular, review the external auditors' management letter and management's response.

**MILUX CORPORATION BERHAD**

(Company No. 313619-W)

(Incorporated in Malaysia)

(Terms of Reference – Audit and Risk Committee – cont'd)

- 11.9 to review any related party transactions and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transactions between the Company and any related parties outside the Group.
- 11.10 to review and verify the allocation of options during the year under the Employees' Share Option Scheme ("ESOS") of Milux Corporation Berhad to ensure that this is in compliance with the allocation criteria determined by the ESOS committee and in accordance with the By-Laws of the ESOS.
- 11.11 to review and approve the statements to be included in the Annual Report concerning internal controls and risk management.
- 11.12 To do 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 and to perform its function effectively in accordance with the relevant professional standards;
  - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings;
  - monitor and review the effectiveness of the Company's internal audit function in the context of the company's overall risk management system;
  - review any appraisal or assessment of the performance of members of the internal audit function;
  - approve any appointment or termination of the internal auditors;
  - review promptly all reports on the Group from the internal auditors and review and monitor management's responsiveness to the findings and recommendations of the internal auditor.

**MILUX CORPORATION BERHAD**

(Company No. 313619-W)

(Incorporated in Malaysia)

(Terms of Reference – Audit and Risk Committee – cont'd)

- 11.13 to approve the appointment and removal of the head of the internal audit function, if any.
- 11.14 to consider and approve adequacy of the scope, functions, competency and resources of the internal audit function and ensure it has appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- 11.15 to ensure the internal audit function have adequate standing and are free from management or other restrictions.
- 11.16 to monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements.
- 11.17 to review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 11.18 identifying and monitoring the key risks of Milux Group and evaluating their management.
- 11.19 ensuring policies and framework are in place to manage the risks to which the Group is exposed, especially in areas of risk concentration pertaining to the risk exposures that the subsidiaries are exposed to in their business activities, eg. market, operational, liquidity, credit, regulatory, reputation, legal and strategic risk.
- 11.20 critically assessing the Milux Group's business strategies and plans from a risk-based and enterprise-wide perspective.
- 11.21 discharging its risk management responsibilities through a formalised Enterprise Risk Management ("ERM") framework, established for identifying, measuring, managing, reporting and monitoring all categories of business risk across the Group.
- 11.22 to carry out such other functions and consider other topics, as may be agreed upon by the Board
- 11.23 to monitor the integrity of the Company's financial statements; and
- 11.24 to monitor the independence and qualification of the Company's internal auditors.

This Terms of Reference was reviewed and approved by the Board of Directors on 27 March 2018.