



KARYON INDUSTRIES BERHAD
Registration No. 200301010377 (612797-T)
(Incorporated in Malaysia)

**TERMS OF REFERENCE
OF THE AUDIT COMMITTEE (“AC”)**

The Audit Committee (“AC” or “the Committee”) of the Board of Directors of Karyon Industries Berhad (“**Company**”) (“**Board**”) was established pursuant to Clause 99 of the Company’s Constitution.

A) COMPOSITION

1. The Committee shall be appointed by the Board from among their members and shall consist of not less than three (3) members. All members of the Committee must be non-executive directors with a majority of whom are independent directors and all the members should be financially literate with at least one of the members of the AC:
 - (i) must be a member of the Malaysian Institute of Accountants (MIA); or
 - (ii) if he/she is not a member of the MIA, he/she must have at least three (3) years’ working experience and;
 - (aa) he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - (iii) he/she must fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”)
2. Alternate Directors shall not be eligible for appointment as a member of the Committee.
3. The members of the AC must elect a Chairman among themselves who is an Independent Non-Executive Director and the Chairman of the Board must not be a member of the Committee.
4. The terms of office and performance of each of the members of the Committee shall be reviewed by the Board as and when necessary, at least once every year.
5. Where the membership of the Committee falls below three (3) due to retirement or resignation or any other reason, the vacancy must be filled within two (2) months, but not later than three (3) months in any case.
6. A former partner of the external audit firm and/or the affiliate firm of the Company or any entity within the Group is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.
7. All members of the Committee should be financially literate and have sufficient understanding of the Group’s business and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Group’s reporting process.

B) PURPOSE OF THE COMMITTEE

The purposes of the Committee are as follows:

- 1) Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices for the Company;
- 2) Maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors;
- 3) Act upon the Board's request to investigate and report on any issue of concern with regard to the management of the Company; and
- 4) Assist the Board in compliance with any such changes / amendments / updates / insertions of the Main Market Listing Requirement of Bursa Securities ("Listing Requirements") and any other applicable laws and regulations, arising thereof from time to time with advice of adviser/company secretary.

C) FREQUENCY AND ATTENDANCE OF COMMITTEE MEETINGS

Meetings shall be held not less than four (4) times a year and as and when required during each financial year. The external auditors may request a meeting if they deem necessary.

The Chief Financial Officer shall normally attend the Committee meetings. Other Board members and representative of the external auditors may attend such meetings upon invitation by the Committee. The presence of the external auditors and internal auditors will be by invitation, as and when required.

The Committee shall meet at least once a year with the internal and external auditors without the presence of any executive Board members, management or employees. The Chairman of the Committee may request additional meetings if they consider it necessary.

The quorum for a meeting shall be two (2) members, and if only two (2) members 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.

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 recognise each other's voice, and for this purpose, participation constitutes prima facie proof of recognition. For the purpose 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.

D) MINUTES

All minutes of each meeting shall be kept and distributed to each member. All minutes of meeting shall be circulated to every member of the Board. The Chairman of the Committee shall report on each meeting to the Board.

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

E) 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 any of the Company’s Staff and to any information pertaining to the Company which it requires in the course of performing its duties;
4. Have direct communication channels with the external auditors; and
5. Have direct authority over the internal audit function of which is independent from management and operations;
6. 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 in its meeting if it considers necessary.

7. Be able to convene meetings with the external auditors, the internal auditors or both, with or without the prior knowledge of Management, whenever deemed necessary but at least twice a year; and
8. Be able to consider any risk related matters and make recommendations to the Board in an advisory capacity where necessary.

F) FUNCTIONS AND DUTIES

FINANCIAL REPORTING

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

1. Review the quarterly results and annual financial statements before submission to the Board, focusing particularly on:
 - any changes in accounting policies and practice;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - any significant transactions which are outside the ordinary and usual course of the Group’s business;
 - the going concern assumptions;
 - compliance with the accounting standards;
 - compliance with stock exchange and legal requirements;
 - assess the quality and effectiveness of the internal control system and the efficiency of the Company operations;
 - the quality and effectiveness of the entire accounting, management information and internal control systems; and
 - the adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of the Group.
2. Review and provide advice on whether the financial statements are taken as a whole; and
3. Provide questions to ascertain whether the financial statements are consistent with operational and other information known, where there are significant matters requiring judgement.

EXTERNAL AUDIT

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

1. Consider and recommend to the Board on the appointment or reappointment of external auditors and to fix their fees (audit and non-audit), after assessing their independence and capabilities as well as the effectiveness of the external audit process;

2. Review the independence, objectivity and suitability of the external auditors upon consideration of:
 - (i) the criteria to guide decisions on the appointment and re-appointment of the external auditors. The criteria should include an assessment of the competence, audit quality and resource capacity of the external auditors in relation to the audit. The assessment should also consider the information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Committee may engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm’s governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks as well as corporate liabilities risks;
 - (ii) the appropriateness of audit fees to support a quality audit;
 - (iii) requirement for non-audit service to be approved by the Committee before they rendered by the external auditors and its affiliates while taking into account the nature and external of the non-audit services and the appropriateness of the level of fees;
 - (iv) conduct of an annual evaluation on the performance of the external auditors and undertaking follow-up measures, where required;
 - (v) To obtain written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements;
3. 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 to notify Bursa Securities and forward to Bursa Securities 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;
4. Discuss with the external auditors on their audit plan, the nature, scope including the audit report and any significant problems that may be foreseen in the audit, ensure adequate tests to verify the accounts and procedures of the Company and to ensure co-ordination where more than one audit firm is involved;
5. Ensure and confirm that the management has placed no restriction on the scope of the audit;
6. Discuss any matters and reservations arising from the audits, and any other matter the external auditor may wish to discuss without the presence of the Executive Directors and Management;
7. Review the external auditors’ management letter and management response;

8. Consider the appropriate timeframe to appoint any former partner of the Audit Firm and or Affiliate Firm as a member of AC and to observe a cooling-off period of at least three (3) years before one is eligible for appointment as a member of the Committee;
9. Obtain written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements; and
10. Review the findings of the External Auditors on any related-party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity

INTERNAL AUDIT

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

1. Consider and recommend the appointment of internal auditor;
2. Ensure the internal audit function is independent of the activities it audits and the internal audit function reports directly to the AC;
3. Review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
4. Review internal audit plan;
5. Ensure co-ordination of external audit with internal audit;
6. Consider major findings of internal audit investigations and management’s response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
7. If the internal audit function is outsourced, to review 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;
8. If the internal audit function is performed in-house, to:
 - (i) review any appraisal or assessment of the performance of the staff member of the internal audit function;
 - (ii) approve any appointment or termination of senior staff member of the internal audit function;
 - (iii) inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason of resignation; and
9. Discuss any matters and reservations arising from the internal audits, that the internal auditors may wish to discuss with or without prior knowledge of Management.

RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

The Committee shall consider and review any related party transaction and conflict of interest situation that arose, persist or may arise within the Company or 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.

OTHERS

1. Report to Bursa Securities on matters reported by it to the Board that has not been satisfactorily resolved resulting in a breach of the Listing Requirements;
2. Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Group (if any);
3. Review all financial related reports/statements as required by the Listing Requirements, for inclusion in the Annual Report; and
4. Review the implementation of the relevant policies and procedures concerning the Group.

REVIEW

The AC will review its Terms of Reference at least once every three (3) years or as and when the need arises to keep it current and relevant at all times with the Malaysian Code of Corporate Governance and Listing Requirements.

This Terms of Reference was last reviewed and approved by the Board on 26 May 2026.