

**PAVILION REAL ESTATE INVESTMENT TRUST
AUDIT COMMITTEE
TERMS OF REFERENCE**

1. Composition and Size

The Audit Committee shall be appointed from amongst the Board and shall comprise at least three members, a majority of whom are independent directors. All members of the Audit Committee shall be Non-Executive Directors.

Its members must have the required skills to engage with Management and auditors and be prepared to ask key and probing questions about Pavilion REIT's financial and operational risks, compliance with approved financial reporting standards and other relevant regulatory requirements.

At least one (1) member of the Audit Committee must be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he is not a member of the MIA, he must have at least three (3) years' working experience and
 - i. he must have passed the examination specified in Part 1 of the First Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one of the associations of accounts specified in Par II of the First Schedule of the Accountants Act 1967; or
- fulfils such other requirements as prescribed or approved by Bursa.

No alternate Director of the Board shall be appointed a member of Audit Committee.

In the event of any vacancy with the result that the number of members is reduced to below three, the vacancy must be filled within 3 months.

2. Chairman

The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Non-Executive Director. A strong chair demonstrating depth of skills and capabilities is a key element for a successful Audit Committee and hence its selection should be undertaken with due care and consideration.

The Chairman should assume, amongst others, the following responsibilities:-

- Planning and conducting meetings;
- Overseeing reporting to Board;
- Encouraging open discussion during meetings; and
- Developing and maintaining an active on-going dialogue with Senior Management and both the internal and external auditors.

3. Secretary

The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it together with all relevant documents to all members of the Audit Committee prior to the meeting. The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Audit Committee Members.

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4. Meetings

The Audit Committee shall meet at least four (4) times a year, with due notice of issues to be discussed, and shall record its conclusion in discharging its duties and responsibilities. Additional meetings may be called at any time if so requested by any Audit Committee member, management, internal auditor or external auditor. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

All or any members of the Committee may participate in a meeting of the Audit Committee by means of a teleconference or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

Any decision made at meetings shall be by a simple majority. In the event issues requiring the Audit Committee's decision arise between meetings, such issues shall be resolved through circular resolution (limited to non-significant transactions) subsequent to discussions being held amongst the Audit Committee members, either via teleconference, videoconference, email, etc. in order for the Audit Committee as a whole to be appraised on such matters and obtain their view points before arriving at a decision. Such circular resolution in writing shall be valid and effectual if it is signed or approved by letter, telex, facsimile or telegram by all members of the Audit Committee and such discussions, including any concerns raised and the rationale for the decisions so made in the resolution shall be tabled at the immediate Audit Committee meeting for formal record keeping. Any significant transactions should be decided at a physical meeting attended by Audit Committee members.

The external auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee. The external and internal auditors may also request a meeting if they consider it necessary. Other Directors and employees shall attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

Considering the complexity of the issues to be discussed, it is imperative that Audit Committee members be provided with the meeting agenda and relevant papers at least a week in advance of each meeting. This will allow the Audit Committee members to give full consideration to the issues and, where necessary, obtain supplementary facts before the meeting.

Rights

In carrying out its duties and responsibilities, the Audit Committee shall:

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which it needs to perform its duties;
- (c) have full and unrestricted access to any information which it requires in the course of performing its duties;
- (d) have unrestricted access to the CEO and the Finance Director;
- (e) have direct communication channels with the external auditors and internal auditors;
- (f) be able to obtain independent professional or other advice in the performance of its duties at the cost of Pavilion REIT;
- (g) be able to invite outsiders with relevant experience to attend its meetings if necessary; and
- (h) be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other Directors and employee of the Manager, whenever deemed necessary.

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Duties and Responsibilities

The duties and responsibilities of Audit Committee shall be as follows :-

- (a) to review the quarterly and annual financial statements, prior to submission to the Board, focusing particularly on:
 - changes in or implementation of accounting policies and practices;
 - major judgmental areas;
 - significant and unusual events;
 - the going concern assumption;
 - compliance with approved financial reporting standards and other legal requirements;
 - compliance with Bursa's Listing Requirements; and
 - compliance with the Securities Commission's Guidelines on Real Estate Investment Trusts
- (b) to assess whether financial statements present a true and fair view of Pavilion REIT's financial position and performance and comply with regulatory requirements;
- (c) to ensure timely submission of financial statements by the Manager;
- (d) to review with the external auditors:
 - their audit plan;
 - evaluation of the system of internal controls and management information systems;
 - problems and reservation arising from their audits; and
 - audit report;
- (e) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (f) to review any management letter sent by the external auditors on Pavilion REIT and the Manager's responses to such letter;
- (g) to assess the adequacy and effectiveness of the systems of internal control and accounting control procedures of Pavilion REIT and the Manager;
- (h) to perform 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;
 - 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 any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

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- (i) to consider the nomination/ appointment of external auditors, internal auditors, the audit fee and any questions of resignation or dismissal;
- (j) to review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- (k) to review any related party transaction and conflict of interests situations that may arise within the Pavilion REIT and the Manager;
- (l) to verify that the allocation of options pursuant to Employees' Share Option Scheme complies with the criteria of allocation;
- (m) to report to the Board its activities, significant results and findings;
- (n) to seek continuing professional education to keep abreast of developments not only in the area of financial reporting but also in regulatory compliance, technology, business risk and the implications of significant changes that may affect Pavilion REIT