

**ECO WORLD DEVELOPMENT GROUP BERHAD**  
(Company No. 17777-V)  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**1. PURPOSE**

The Audit Committee ("**the Committee**") is established as a committee of the Board with the primary objective of assisting the Board to:

- (a) discharge its statutory and fiduciary responsibilities of overseeing the financial risk processes and accounting and financial reporting practices within the Group;
- (b) review the quality of the Group's accounting function, financial reporting and internal controls;
- (c) enhance the independence of the external and internal audit functions by providing direction to and oversight of these functions; and
- (d) ensure that an effective ethics programme is implemented across the Group, and to monitor compliance with established policies and procedures.

**2. COMPOSITION AND APPOINTMENT**

2.1 The Board shall appoint the Committee from amongst themselves. The Committee shall comprise no fewer than 3 members, all of whom shall be Independent Non-Executive Directors.

*In this respect, the Board adopts the definition of "independent director" as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and any practice notes issued thereto.*

2.2 All members of the Committee shall be financially literate and be able to understand matters under the purview of the Committee including the financial reporting process.

2.3 At least 1 member of the Committee shall:

- (a) be a member of the Malaysian Institute of Accountants ("**MIA**"); or
- (b) if he is not a member of MIA, he must have at least 3 years of working experience and:
  - (i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

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- (ii) must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - (c) fulfil such other requirements as prescribed or approved by Bursa Securities.
- 2.4 No alternate director shall be appointed as a member of the Committee.
- 2.5 No former key audit partner shall be appointed as a member of the Committee before first observing a cooling-off period of at least 2 years.
- 2.6 The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
- 2.7 In the event of any vacancy resulting in the number of members of the Committee falling below 3, the vacancy must be filled within 3 months of that event.

**3. CHAIRMAN**

- 3.1 The Chairman of the Committee shall be appointed by the Board. The Chairman of the Committee shall not be the Chairman of the Board.
- 3.2 The Chairman is responsible for ensuring the overall effectiveness and independence of the Committee. In particular, he is responsible for:
  - (a) planning and conducting meetings;
  - (b) overseeing the reporting to the Board;
  - (c) encouraging open discussion during meetings; and
  - (d) developing and maintaining active on-going dialogue with the President & Chief Executive Officer, the Chief Financial Officer (“**CFO**”), the Group Financial Controller (“**GFC**”), Management and the external and internal auditors.

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- 3.3 The Chairman together with other members should ensure, amongst others, that:
- (a) the Committee is fully informed about significant matters related to the Company's audit and its financial statements and address these matters;
  - (b) the Committee appropriately communicates its insights, views and concerns about relevant transactions and events to the internal and external auditors;
  - (c) the Committee's concerns on matters that may have an effect on the financial audit of the Company are communicated to the external auditors; and
  - (d) there is co-ordination between internal and external auditors.

**4. AUTHORITY**

- 4.1 The Committee is authorized by the Board and at the expense of the Group to perform the following:
- (a) secure the resources in order to perform its duties as set out in its terms of reference;
  - (b) investigate any matter within its terms of reference, including possible fraud, illegal acts or suspected violation of the Code of Conduct involving senior Management personnel or members of the Board. All employees shall be directed to co-operate as requested by the Committee;
  - (c) have full and unrestricted access to any employee of the Group and all information and documents which are required to perform its duties;
  - (d) obtain external legal or other professional advice as necessary; and
  - (e) convene meetings with the external auditors, internal auditors and the Company Secretary without the attendance of other directors or employees of the Group.
- 4.2 The Committee shall report to the Board on matters considered and its recommendations thereon.

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**5. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee are as follows:

**5.1 Financial reporting**

- (a) To review with the external auditors, the quarterly and year-end financial statements, before approval by the Board, focusing particularly on:
- whether there have been changes in or adoption of new accounting policies;
  - whether there have been changes in the presentation of the financial statements;
  - whether there are significant auditing and financial reporting matters, material audit adjustments, material fluctuations in balances; significant judgment and estimates made by Management, significant or unusual events or transactions highlighted by the external auditors, and how these matters are addressed;
  - whether significant contingent liabilities and commitments have been properly disclosed;
  - whether the going concern assumption used in the preparation of the financial statements is appropriate;
  - whether the financial statements are in compliance with accounting standards and other legal requirements;
  - whether the financial statements taken as a whole provide a true and fair view of the financial position and performance of the Group and Company; and
  - whether there are any qualifications in the auditors' report that must be discussed and properly acted upon.
- (b) To report its findings on the financial and management performance, and other significant matters to the Board, and if appropriate, recommend to the Board the issuance of the quarterly and year end financial statements to Bursa Securities.

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- (c) To discuss problems and issues encountered during the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of Management, where necessary).

**5.2 External auditors**

- (a) To consider the appointment or re-appointment of the external auditors, the level of audit fees and any questions regarding resignation or dismissal.
- (b) To annually assess the suitability, objectivity and independence of the external auditors, taking into consideration the following:
  - the competence, audit quality and resource capacity of the external auditors in relation to the audit;
  - the nature and extent of non-audit services rendered and the level of fees paid for such services relative to audit fees. In this connection, the Committee shall review and approve all proposed non-audit services, including proposed fees, prior to work commencement; and
  - the conduct of and independence demonstrated by the external auditors throughout the audit engagement. In this connection, the Committee shall obtain written confirmation from the external auditors that they are, and have been, independent in accordance with all relevant professional and regulatory requirements.
- (c) To discuss with the external auditors before the audit commences, their audit plan, the nature and scope of their audit and their co-ordination with component auditors where more than 1 audit firm is involved in the audit of the Group's financial statements.
- (d) To review the external auditors' management letter and Management's response to their suggestions for improvements.
- (e) To ensure that assistance and full access to all information and documents and records required by the auditors is given by Management to the external auditors.
- (f) To review with the external auditors their evaluation of the system of internal controls and their audit report and to report the same to the Board.

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**5.3 Internal audit**

(a) 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 annual internal audit plan, processes and the results of all internal audit assignments (including any special investigations) undertaken and ensure that appropriate actions are taken based on the recommendations;
- review the budget and ensure sufficient resources are allocated to the internal audit function;
- ensure that the internal audit function is independent of the activities it audits and that the head of internal audit reports functionally to the Committee directly;
- appraise the performance of the internal audit function on an annual basis;
- approve any appointment or termination of senior staff members of the internal audit function; and
- take note of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

(b) To determine the remit of the internal audit function.

**5.4 Risk management and internal control**

To perform the following in relation to risk management and internal controls:

- review the adequacy and effectiveness of risk management, internal control and governance systems implemented within the Group;
- monitor risk management processes to ensure they are integrated into all core business processes;
- review the report of the Risk Management Committee and ensure that all risks are well managed;

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- review the Group's risk management policy and implementation of the risk management framework; and
- review the statement on risk management and internal control in the Company's annual report.

**5.5 Related party transactions**

To perform the following in relation to related party transactions:

- ensure that Management establishes a comprehensive framework for the purposes of identifying, evaluating, approving, reporting related party transactions and monitoring conflict of interest situations;
- review with the internal auditors their quarterly report from work performed to establish whether recurring related party transactions have been carried out in accordance with the mandate approved by shareholders and on commercial terms no more favourable than those available to non-related third parties; and
- review non-recurring corporate proposals involving related parties to ensure that they are in the best interest of the Group and not detrimental to the interest to minority shareholders.

**5.6 Other Matters**

- (a) Prepare an Audit Committee Report at the end of the financial year for inclusion in the Annual Report pursuant to Bursa Securities' Main Market Listing Requirements.
- (b) Undertake such other assignments as requested by the Board from time to time or as the Committee considers appropriate.

**6. REPORTING RESPONSIBILITY**

The Committee is responsible for making recommendations to the Board for consideration and adoption, but it has no executive power to implement the recommendations on behalf of the Board.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities' Main Market Listing Requirements, the Committee has the responsibility of promptly reporting such matter to Bursa Securities.

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**7. MEETINGS**

- 7.1 The Committee shall meet 4 times annually, or more frequently, if deemed necessary.
- 7.2 In the absence of the Chairman, the other members shall amongst themselves elect another member to chair the meeting.
- 7.3 The Company Secretary shall be the Secretary of the Committee.
- 7.4 The Secretary shall issue and circulate the notice of Committee meetings confirming the venue, time and date at least 5 working days before each meeting to the Committee members and all those who are required to attend the meeting. The notice shall be circulated together with all the relevant papers and documents, including minutes of the previous meeting that will be discussed at the meeting.
- 7.5 The internal auditors shall attend meetings as permanent invitees. The CFO, GFC and other Board members, other Management personnel and the external auditors attend meetings upon the invitation of the Committee.
- 7.6 At least twice a year and whenever necessary, the Committee shall meet with the external auditors and internal auditors without the presence of non-independent directors or Management personnel.
- 7.7 Upon the request of the external auditors, the Chairman shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Committee.
- 7.8 The Committee members may participate in a meeting by means of telephone or video conferencing. Such participation shall constitute presence in person at such meeting.
- 7.9 A resolution in writing, signed or approved by letter, electronic mail or other electronic communication by a majority of members, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.

**8. QUORUM**

The quorum for a Committee meeting shall be 2 members present in person.



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**9. MINUTES**

- 9.1 The minutes of the meeting shall be action oriented, and record the deliberations and decisions of the Committee. Minutes shall include compiled instructions as Matters Arising for discussion at each meeting to ensure proper follow through.
- 9.2 Minutes shall be distributed to Committee members within 4 weeks after the meeting. The minutes shall be approved by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next meeting.
- 9.3 Copies of minutes of each meeting shall be distributed to all members of the Board, the GFC and the internal auditors to ensure proper key action is taken.
- 9.4 Minutes of Committee meetings shall be kept at the registered office.
- 9.5 The Chairman shall orally report on the proceedings of each Committee meeting at the first Board meeting following the Committee Meeting.

**10. GENERAL MEETINGS**

The Chairman of the Committee shall attend all general meetings to answer questions raised by shareholders on the activities of the Committee.

**11. CONTINUOUS PROFESSIONAL DEVELOPMENT**

The Committee members shall undertake continuous professional development training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

**12. REVIEW OF TERMS OF REFERENCE**

The Committee shall recommend any changes to its terms of reference in such manner as it deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code of Corporate Governance, Bursa Securities' Main Market Listing Requirements or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the Committee's role.