

**ECO WORLD DEVELOPMENT GROUP BERHAD**  
(Registration No. 197401000725 (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 Company and its subsidiaries ("**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 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 The Chairman of the Board shall not be appointed as a member of the Committee.
- 2.5 No alternate Director shall be appointed as a member of the Committee.
- 2.6 No former partner of the external audit firm of the Company shall be appointed as a member of the Committee before first observing a cooling-off period of at least 3 years.
- 2.7 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.
- 2.8 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.
- 2.9 All members of the Committee, including the chairperson, shall hold office only for so long as they serve as Directors of the Company. Members of the Committee may relinquish their membership in the Committee with prior written notice to the Secretary.

**3. CHAIRPERSON**

- 3.1 The Chairperson of the Committee ("**Chairperson**") shall be elected from amongst the Committee members as approved by the Board.
- 3.2 The Chairperson 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;

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- (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.
- 3.3 The Chairperson together with other Committee 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 or 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 authorised 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

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- (e) convene meetings with the external auditors and internal auditors 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.

**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 the financial statements are consistent with operational and other information known;
  - 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;

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- 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.
- (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 Annual Transparency Report (“**ATR**”) of the external auditors, if applicable, or to engage with audit firms (for firms that are not required to issue ATR) on matters in relation to their governance and leadership structure as well as measures undertaken by the audit firm to uphold audit quality and manage risks;
  - the appropriateness of audit fees to support a quality 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;

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- 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; and
  - the conduct of an annual evaluation on the performance of the external auditors and undertaking follow-up measures, where necessary.
- (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 external auditors is given by Management.
- (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.
- (g) To review the policies and procedures to assess the suitability, objectivity and independence of the external auditors as and when necessary.

**5.3 Internal audit**

- (a) To perform the following in relation to the internal audit function:
- review and approve the internal audit charter, whenever necessary, which defines the purpose, authority, and responsibility of the internal audit function;
  - review and approve the internal audit methodology, whenever necessary, which provides guidance for internal audit engagements;

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- 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 Group Corporate Governance (“GCG”) reports functionally to the Committee directly;
- appraise the performance of the internal audit function on an annual basis;
- endorse the remuneration package of the Head of GCG on an annual basis;
- approve any appointment or termination of senior staff members of the internal audit function;
- ensure that the staff members who are responsible for internal audit have the relevant experience, sufficient standing and authority to enable them to discharge their functions effectively; and
- take note of resignations of internal audit staff members and whenever deemed necessary, offer the resigning staff members the opportunity to submit their reasons for resigning.

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

**5.4 Risk management and internal control**

- (a) To ensure the Risk Management Committee (“RMC”), which comprises senior management of the Group, which has been established to oversee risk matters within the Group, including:

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- ensure the implementation of the Group's risk management policy and guidelines is properly carried out throughout the Group by the Management; and
  - ensure the effectiveness and adequacy of the Group's risk management system, framework, policy, risks and controls associated with the Group's operations and compliance with applicable laws and regulations.
- (b) To assess, with the assistance of GCG (where required), the adequacy and effectiveness of risk management, internal control, anti-corruption, whistle-blowing and governance processes within the Group. This is achieved by:
- reviewing the reports presented by the RMC, biannually (at least), on the top risks facing the Group, the Group's risk profile, significant risk issues, and mitigation plans for key risks;
  - reviewing the minutes of the quarterly RMC meeting, which includes deliberation on all key risks and significant risk management matters;
  - reviewing any proposed changes by the RMC in relation to the Group's risk management policy and documents, and recommend to the Board for approval;
  - reviewing the statement on risk management and internal control for inclusion in the Company's annual report; and
  - reviewing annually the implementation of the Anti-Corruption Compliance Programme by the Integrity Team, including the effectiveness of the Group's Anti-Bribery and Anti-Corruption policy.

**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 and reporting related party transactions;



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- 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 Conflict of interests (“COI”)**

To perform the following in relation to COI (including potential, actual, perceived or persisting COI) involving Directors, chief executive and key senior management of the Company within the Group:

- ensure Management establishes a comprehensive framework for the purpose of identifying, evaluating, approving, reporting, monitoring and mitigating COI within the Group;
- ensure Management develops, implements and maintains an effective COI Policy for the purposes of identifying, evaluating, approving, reporting, monitoring and mitigating COI within the Group involving Directors and key senior management of the Company;
- perform the following in accordance to the COI Policy:
  - (i) review the COI matters based on the preliminary assessment conducted by the non-interested Management and recommend to the Board for deliberation together with the reasonable steps, actions and measures to address, manage, resolve or eliminate the said COI and mitigate the impact of the said COI on the negotiation/discussion/decision making process; and
  - (ii) The Chairperson of the AC shall report to the Board a summary of any COI matters that the AC has reviewed and the measure taken to resolve, eliminate and mitigate such COI (if any), at the next Board meeting following the AC meeting.

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**5.7 Other Matters**

- (a) Prepare the 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.

**7. MEETINGS**

- 7.1 The Committee shall meet 4 times annually, or more frequently, if deemed necessary.
- 7.2 In the absence of the Chairperson, the Committee members present shall elect a chairperson for the meeting from amongst themselves.
- 7.3 The Company Secretary shall be the Secretary of the Committee.
- 7.4 Except in the case of an emergency, the Secretary shall issue and circulate the notice of Committee meetings confirming the venue, time and date at least 7 clear days before each meeting to the Committee members and all those who are required to attend the meeting. Notice can be sent by post, hand, facsimile, electronic mail or by any means of telecommunication in a permanent written form.

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- 7.5 Meeting papers on non-financial related matters, including minutes of the previous meeting and agenda items are to be circulated at least 5 clear days before each meeting to the Committee members. Materials on financial related matters will be circulated at least 3 clear days before each meeting to the Committee members.
- 7.6 Key Personnel from GCG, CEO, CFO, GFC shall attend meetings as permanent invitees. The other Board members and other Management personnel as well as external auditors shall attend meetings upon the invitation of the Committee as and when necessary.
- 7.7 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.
- 7.8 Upon the request of the external auditors, the Chairperson shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Committee.
- 7.9 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.

**8. QUORUM**

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

**9. VOTING**

- 9.1 All resolutions of the Committee shall be adopted by a simple majority vote, each member having one vote.
- 9.2 A resolution in writing, signed or approved by letter, electronic mail or other electronic communication by a majority of the Committee 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.
- 9.3 A member of the Committee is required to abstain from deliberations and voting in respect of any matter he/she has an interest or which may give rise to COI situation.

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**10. MINUTES**

- 10.1 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.
- 10.2 Minutes shall be distributed to Committee members within 4 weeks after the meeting. The minutes shall be approved by the Chairperson of the meeting at which the proceedings were held or by the Chairperson of the next meeting.
- 10.3 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.
- 10.4 Minutes of Committee meetings shall be kept at the registered office.
- 10.5 The Chairperson shall orally report on the proceedings of each Committee meeting at the first Board meeting following the Committee Meeting.

**11. GENERAL MEETINGS**

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

**12. 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.

**13. 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 on 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.