

TERMS OF REFERENCE FOR AUDIT COMMITTEE

1 Objectives

The primary function of the Audit Committee (the “Committee”), formed by the Board, is to assist the Board of Directors in fulfilling its fiduciary duties as well as the following oversight objectives on the activities of Eco World International Berhad, its subsidiaries and joint-ventures (“Group”):

- Oversee and appraise the quality of the audits conducted both by the Company’s internal and external auditors;
- Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- Evaluate the internal and external audit processes, including issues pertaining to the system of internal control within the Group.

2 Composition

The Board shall elect the Committee members from amongst themselves, comprising no fewer than three (3) Directors (none of whom shall be Executive) and all shall be Independent Non-Executive Directors. In this respect, the Board adopts the definition of “independent directors” under the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). All the members shall be financially literate and at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants (“MIA”); or
- if he is not a member of MIA, he must have at least three (3) years of working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he 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
- fulfils such other requirements as prescribed or approved by Bursa Securities.

In the event of any vacancy in the Committee (including Chairman) resulting the non-compliance of the above, the Board shall upon the recommendation of the Nomination and Remuneration Committee fill the vacancy within three (3) months of that event.

The Chairman of the Board shall not be the Chairman of the Committee. The Chairman of the Committee shall be an Independent Non-Executive Director elected among the members of the Committee. No alternate Director of the Board shall be appointed as a member of the Committee. For engagement of a former key audit partner as member, there is a cooling-off period of at least four (4) years before being appointed as member of Committee.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board (via Nomination and Remuneration Committee) annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

3 Quorum and Meeting Procedures

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Chairman may call for a meeting of the Committee if a request is made by any Committee member, the Directors or the internal or external auditors.

The quorum for a meeting shall be two (2) members, both are Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary or his/her representative/other appropriate senior officer shall act as Secretary of the Committee (the “Secretary”). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers at least one (1) week prior to each meeting to the members of the Committee.

The Secretary shall also be in attendance at each Committee meeting and responsible for keeping the minutes of meetings of the Committee and circulating them to Committee members and to the other members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and Senior Management members to attend the meetings.

The Committee shall meet at least twice annually with the external and internal auditors without the presence of any executive Board members, Management or employees. In addition, Management, the internal auditors and external auditors may request for a private session with the Committee to discuss any matter of concern.

The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

The Committee may deal with matters by way of circular reports and written resolutions in lieu of convening a formal meeting. A resolution in writing, signed or approved by letter, electronic mail, telegram, telex or telefax or other electronic communication by majority of the members of the Committee, 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.

4 Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employee and employees are directed to co-operate with any request made by the Committee. The Committee can obtain professional or legal advice from independent professional advisors

and/or appoint any independent professional advisors, it considers necessary in carrying out its responsibilities, at the expense of the Company.

The Committee shall have full and unlimited access to any information, records, properties and personnel pertaining to the Group. The Committee shall have direct communication channels with the internal and external auditors and with Senior Management of the Group and shall be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary. The Committee shall have the resources that are required to perform its duties.

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 Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

5 Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

Financial Reporting and Compliance

- 5.1 review the Committee's terms of reference as conditions dictate;
- 5.2 review major audit findings and Management's response during the year with Management, external auditors and internal auditors, including the status of previous audit recommendations.
- 5.3 review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- 5.4 review the Company's quarterly results and year-end financial statements before submission to the Board, focusing particularly on:-
 - 5.4.1 changes in or implementation of major accounting policy changes;
 - 5.4.2 significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - 5.4.3 the going concern assumption; and
 - 5.4.4 compliance with accounting standards and other legal requirements.
- 5.5 review with the external auditors the following and report the same to the Board:-
 - 5.5.1 audit plan;
 - 5.5.2 audit report; and
 - 5.5.3 evaluation of internal controls system.
- 5.6 review the following and report the same to the Board:-
 - 5.6.1 the assistance given by the employees to the external auditors;
 - 5.6.2 the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work; and

- 5.6.3 the internal audit programme, processes, the results of the internal audit programme, processes of investigation undertaken and whether or not appropriate actions are taken on the recommendations of the internal audit function.
- 5.7 review and report to the Board any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 5.8 evaluate, supervise and monitor any conflict of interest or potential conflict of interest situation that may arise.
- 5.9 prepare reports, at least once (1) a year, to the Board summarising the activities/work performed in fulfilling the Committee's primary responsibilities, including details of relevant training attended by each Committee member.
- 5.10 review procedures in place to ensure that the Group is in compliance with the Listing Requirements of Bursa Securities and other legislative and reporting requirements.
- 5.11 verify allocation of employee share plan or Employees Share Option Scheme in compliance with criteria as stipulated in the by-laws of the Company, if any.
- 5.12 carry out any other function that may be mutually agreed upon by the Committee and the Board.

External Audit

- 5.13 recommend to the Board the appointment or re-appointment of the external auditors and any issues regarding resignation and dismissal of the external auditors and if applicable, to review and report to the Board any letter of resignation from the external auditors.
- 5.14 in considering the appointment or re-appointment of the external auditors, to consider among others:-
- (i) the adequacy of the experience and resources of the accounting firm;
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm's audit engagements;
 - (iv) the size and complexity of the Group being audited;
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit; and
 - (vi) the performance of the external auditors and its independence inter-alia:-
 - (a) the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - (b) the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - (c) the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and
 - (d) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors.

- 5.15 review with the external auditors, the nature, scope and plan of the audit, including any changes to the scope of the audit plan before the audit commences and report the same to the Board.
- 5.16 review the contracts and nature of the non-audit services which can be entered into by the Group with the external auditors and its affiliates and procedures that must be followed.

In the event that the non-audit fees paid to the external auditors, or a firm or corporation affiliated to the external auditors' firm are significant which constitute 50% of the total amount of audit fees paid to the external auditors, the Company is required to state the details on the nature of non-audit services rendered in the Committee report.

- 5.17 to set policies and procedures to assess the suitability, objectivity and independence of the external auditors.
- 5.18 review the external auditors' management letter and management's response.
- 5.19 ensure co-ordination if more than one (1) audit firm is involved in the audit.

Internal Audit

- 5.20 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.
- 5.21 review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken, and whether or not appropriate action is taken on the recommendations.
- 5.22 ensure the internal audit function is independent of the activities it audits and the Chief Audit Executive reports directly to the Committee and administratively to the President & Chief Executive Officer. The Committee shall review his performance on an annual basis. The Chief Audit Executive should have relevant qualifications and be responsible for providing assurance to the Committee that the internal controls are operating effectively. The Chief Audit Executive will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.
- 5.23 review the budget and ensure sufficient resources are allocated to the internal audit function.
- 5.24 approve the appointment or termination of the Chief Audit Executive.
- 5.25 take cognisance of resignations of the senior internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning.
- 5.26 engage a qualified, independent assessor or assessment team from outside the organisation to conduct an external quality assessment at least once every five (5) years to evaluate Group Corporate Governance's activities conformance with the Institute of Internal Auditors' Standards and Code of Ethics.

The Chairman of the Committee shall engage on a continuous basis with Senior Management, such as the President & Chief Executive Officer or Executive Directors, Chief Financial Officer, the Chief Audit Executive and the external auditors in order to be kept informed of matters affecting the Group.

6 Annual General Meeting

The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

7 Reporting Responsibilities

The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include the number of Committee meetings held during the financial year and details of attendance of each Committee member, summary of the work of the Committee in the discharge of its functions, duties for that financial year and how it has met its responsibilities as well as a summary of the work of the internal audit function.

8 Minutes

The minutes of meetings of the Committee shall be circulated to all members of the Board. The minutes shall be kept at the registered office of the Company and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to the approval of the Chairman of the Committee.

9 Revision of Terms of Reference

Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.