



**Eurospan Holdings Berhad
199501022724 (351927-M)**

TERMS OF REFERENCE

AUDIT COMMITTEE

1.0 Membership

1.1 The members shall be appointed by the Board of Directors and consist of not less than three (3) members. All members must be non-executive directors, with a majority of whom should be independent Directors.

1.2 At least one (1) member of the Audit Committee :-

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

1.3 No former audit partner of the Group's external auditors shall be appointed to the Audit Committee unless he/she has observed a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.

1.4 The members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director.

1.5 The Board of Directors must ensure that no alternate director is appointed as a member of the Audit Committee.

1.6 In the event of any vacancy in the Committee resulting in the non-compliance of paragraph 1.1, 1.2 or 1.3 of these terms of reference, the Company must fill the vacancy within three (3) months.

2.0 Secretary

2.1 The Secretary of the Company or any other person so appointed by the Committee from time to time shall be the Secretary of the Committee.

3.0 Attendance

3.1 Other Directors, members of senior management and any other person(s) deemed appropriate may be invited to attend meetings as necessary to make recommendations and to assist in its deliberations.

4.0 Authority

4.1 The Committee shall :-

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and internal auditors;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

5.0 Meetings

5.1 Meetings shall be held not less than four (4) times a year and shall normally be attended by the Head of Finance and Internal Auditors. The presence of the external auditors will be requested, if required.

5.2 At least twice a year, the Committee shall meet with the external auditors without the executive board members present. Upon the request of the external auditors or internal auditors, the Chairman shall convene a meeting of the Committee to consider any matter the external auditors or internal auditors believe should be brought to the Committee's attention.

5.3 The quorum for each meeting shall be two. The majority of members present to form a quorum must be Independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

5.4 The meeting of the Committee may be conducted by means of video or telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means and the minutes of such meeting signed by the Chairman shall be conclusive evidence of any meeting conducted as aforesaid.

5.5 All resolutions at a meeting of the Committee shall be passed by a simple majority vote, each member having one vote. A resolution in writing, signed by all the members of the Committee

shall be as effectual as if it had 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.

5.6 The minutes of meetings of the Committee shall be circulated to all members of the Board.

6.0 Functions

6.1 The duties of the Committee include:-

6.1.1 to review the following and report the same to the Board of Directors of the Company:-

- (a) with the external auditors, the audit plan, including the scope of work to ascertain that it will meet the needs of the Board, the shareholders and regulatory authorities;
- (b) with the external auditors, the evaluation of the system of internal controls;
- (c) with the external auditors, the audit report, including the management's response, to discuss problems and observations arising from the final audits and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- (d) the assistance given by the employees of the Company to the external auditors;
- (e) 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;
- (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken in accordance to the recommendations of the Internal Auditor and urgent response to the major findings of internal investigations;
- (g) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on :-
 - (i) changes in or implementation of major accounting policy changes and practices;
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (iii) compliance with accounting standards and other legal requirements and the going concern assumptions; and

- (iv) significant adjustments arising from the audit;
 - (h) any related party transaction and conflict of interest situation that may arise with the Company or Group including any transaction, procedure or course that raises questions on management integrity;
 - (i) any letter of resignation from external auditors of the Company; and
 - (j) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.
- 6.1.2** to consider, evaluate and recommend the nomination, appointment, re-appointment or termination of a person or persons as external auditors and their remuneration;
- 6.1.3** in appointing external auditors, the Committee shall consider, among others –
- the adequacy of the experience and resources of the audit firm
 - the audit firm's size and geographical coverage
 - the size and complexity of the Group being audited
 - the number and experience of supervisory and professional staff assigned to the particular audit;
- 6.1.4** to review the provision of non-audit services by external auditors; In this connection with non-audit services, the Committee shall set a threshold based on the fees payable for such service beyond which the Committee shall review and approve the proposed services prior to commencement of work;
- 6.1.5** to review any appraisal or assessment of the performance of internal auditor and consider the appointment or termination of internal auditor and their remuneration;
- 6.1.6** to ensure that the internal auditors adopt a recognised framework in the conduct of their work;
- 6.1.7** to take cognizance of resignation of internal auditor and to provide an opportunity to submit the reasons for resigning;
- 6.1.8** to promptly report to Bursa Securities any matter reported by the Committee to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities;
- 6.1.9** to verify the allocation of options pursuant to a Share Issuance Scheme complies with the allocation criteria; and
- 6.1.10** to carry out other functions as may be agreed to by the Committee and the Board.