

**MEGA SUN CITY HOLDINGS BERHAD**  
**(200401002347)(640850-U)**

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**1.0 CONSTITUTION AND MEMBERSHIP**

- 1.1 The Audit Committee shall be appointed by the Board of Directors from amongst their members of which shall fulfil the following requirements:-
- (a) the audit committee shall consist of not less than three (3) members, all of whom should be Independent Directors;
  - (b) all members of the audit committee shall be Non-Executive Directors and financially literate and are able to understand matters under the purview of the Audit Committee, including the financial reporting process; and
  - (c) at least one (1) member of the Audit Committee:-
    - (i) must be a member of the Malaysian Institute of Accountants; or
    - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience; and
      - aa. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
      - bb. 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
    - (iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").
- 1.2 No alternate director is to be appointed as a member of the Audit Committee.
- 1.3 Chairman of the Board should not a member of the Audit Committee.
- 1.4 The members of the Audit Committee shall elect a Chairman from amongst their members.
- 1.5 A former key audit partner and/or the affiliate firm (including those providing advisory services, tax consulting etc) of the Company or any entity within the Group must observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.
- 1.6 In the event of any vacancy in the Audit Committee resulting in the non-compliance of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors shall within three months of that event fill the vacancy.
- 1.7 The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

## **TERMS OF REFERENCE OF AUDIT COMMITTEE (CONTINUED...)**

### **1.0 CONSTITUTION AND MEMBERSHIP (CONTINUED...)**

- 1.8 All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

### **2.0 AUTHORITY**

- 2.1 The Audit Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:-

- (a) have authority to investigate any matter within its terms of reference;
- (b) have full and unrestricted access to any information pertaining to the Company;
- (c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (d) have the resources which are required to perform its duties;
- (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.

### **3.0 FUNCTIONS AND DUTIES**

The functions and duties of the Audit Committee shall be:-

- 3.1 To review the following and report the same to the Board of Directors:-

- (a) with the external auditors:-
  - (i) the annual audit plan, its scope and nature; and special audit if necessary;
  - (ii) their evaluation of the system of internal control;
  - (iii) their audit report;
  - (iv) their management letter on internal control issues arising from the audit and management's response; and
  - (v) the assistance given by the employees of the Company to the external
- (b) the quarterly results and year-end financial statements prior to the approval of the Board of Directors, focusing particularly on:-
  - (i) changes in or implementation of accounting policies and practices;
  - (ii) significant 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;
  - (iv) significant adjustment arising from the audit;
  - (v) the on-going concern assumption; and
  - (vi) major judgmental areas.

## **TERMS OF REFERENCE OF AUDIT COMMITTEE (CONTINUED...)**

### **3.0 FUNCTIONS AND DUTIES (CONTINUED...)**

- (c) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
  - (d) financial reporting process, detection of financial irregularities, to ascertain that the financial statements are consistent with operational and other information known, where there are significant matters requiring judgement.
- 3.2 To monitor the management's risk management practices and procedures.
- 3.3 In respect of the appointment of external auditors:-
  - (a) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
  - (b) to consider the nomination of a person or persons as external auditors and to determine the audit fee;
  - (c) to conduct annual assessment on the suitability, objectivity and independence of the external auditor through established policies and procedures; and
  - (d) to consider any questions of resignation or dismissal of external auditors.
- 3.4 To address the criteria on the appointment and re-appointment of the external auditors after assessing their independence, the criteria should include an assessment of the competence, audit quality and resource capacity of the external auditors in relation to the audit. The assessment may also consider information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Committee may engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks.
- 3.5 To assess the appropriateness of audit fees to support a quality audit.
- 3.6 To approve the non-audit services before they are rendered by the external auditors and its affiliates, after taking into account the nature and extent of the non-audit services provided by the external auditors and its affiliates and fees paid for such services relative to the audit fee. In the event the non-audit fees paid to the external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's external auditors), the Company is required to disclose the details on the nature of non-audit services rendered in the Company's Annual Report.
- 3.7 Review any letter of resignation from the external auditors or suggestions for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditors, if applicable.

## **TERMS OF REFERENCE OF AUDIT COMMITTEE (CONTINUED...)**

### **3.0 FUNCTIONS AND DUTIES (CONTINUED...)**

3.8 In respect of the internal audit function:-

- (a) to review the adequacy of the scope, functions, budget, competency and resources of the internal audit function, including the authority of the internal audit to carry out its work and that it reports directly to the Audit Committee;
- (b) to review the internal audit programme, processes and the results of the internal audit assessment, processes or investigations undertaken, and where necessary, ensure appropriate actions are taken on the recommendations of the internal audit function;
- (c) to review any appraisal or assessment of the performance of the members of internal audit function, if any;
- (d) to approve any appointment or termination of senior staff members of the internal audit function; and
- (e) to take cognizance of resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reason of resignation.

3.9 To promptly report such matter to the Exchange if the Audit Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements.

3.10 To carry out other function that may be mutually agreed upon by the Audit Committee and the Board that would be beneficial to the Company.

### **4.0 MEETINGS**

#### **4.1 Frequency**

4.1.1 Meeting shall be held not less than four (4) times in a financial year.

4.1.2 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

#### **4.2 Quorum**

4.2.1 A quorum shall be two (2) members.

#### **4.3 Secretary**

4.3.1 The Secretary to the Audit Committee shall be the Company Secretary. In his absence, another person authorised by the Chairman of Audit Committee.

## **TERMS OF REFERENCE OF AUDIT COMMITTEE (CONTINUED...)**

### **4.0 MEETINGS (CONTINUED...)**

#### **4.4 Attendance**

- 4.4.1 The Head of Finance, the Internal Auditors and representative(s) of the external auditors shall normally attend meetings upon the invitation of the Audit Committee.
- 4.4.2 Other Board members and employees may attend meetings only at the invitation of the Audit Committee.
- 4.4.3 At least twice in a financial year, the Audit Committee shall meet with the external auditors, without the present of executive board members.

#### **4.5 Reporting Procedure**

- 4.5.1 The minutes of each meeting shall be circulated to all members of the Audit Committee.
- 4.5.2 The Audit Committee shall report to the Board on any key issues affecting the Company and its subsidiaries.

#### **4.6 Meeting Procedure**

The Audit Committee shall regulate its own procedure, in particular:-

- a. the calling of meetings;
- b. the notice to be given of such meetings;
- c. The voting and proceedings of such meetings;
- d. the keeping of minutes; and
- e. the custody, production and inspection of such minutes.

The notice of each meeting confirming the date, time, venue and agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Audit Committee at least 5 business days in advance of each scheduled meeting date. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

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

A resolution in writing signed or approved by letter or facsimile by a majority of members (of whom at least one must be an independent Director) shall be effective for all purposes as if it were a resolution passed at a meeting of the Committee duly convened, held and constituted. Any such resolution may consist of a single document or several documents all in like form each signed by one or more members.

These Terms of Reference should be reviewed annually and be amended as required, subject to the approval of the Board.