

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

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**1.0 MEMBERSHIP**

- 1.1 The Audit Committee shall be appointed by the Board from amongst their members, of which fulfils the following requirements:-
- (a) the audit committee must be at least three (3) members of whom should comprise solely of 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 should be appointed as a member of the Audit Committee.
- 1.3 The members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director. The Chairman of the Audit Committee must not be the Chairman of the Board.
- 1.4 A former key audit partner must observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.
- 1.5 The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which results in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.6 The Nominating Committee shall review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

- 1.7 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 MEETINGS**

### **2.1 Frequency**

2.1.1 Meetings shall be held not less than four times a year.

2.1.2 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.

### **2.2 Quorum**

To form a quorum, the majority of members present must be Independent Directors.

### **2.3 Secretary**

The Company Secretary shall be the Secretary of the Audit Committee or in his absence, another person authorised by the Chairman of the Audit Committee.

### **2.4 Attendance**

2.4.1 The Head of Finance, the Internal Auditor and a representative of the external auditors shall attend meetings upon the invitation of the Audit Committee.

2.4.2 Other Directors and employees may attend any particular meeting only at the Audit Committee's invitation, specific to the relevant meeting.

2.4.3 The Audit Committee should meet with the external auditors without any executive Board members present at least twice a year.

### **2.5 Reporting Procedure**

2.5.1 The minutes of each meeting shall be circulated to all members of the Audit Committee.

2.5.2 The Audit Committee shall report to the Board on any key issues affecting the Company and its subsidiaries.

### **2.6 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.

### **3.0 RIGHTS**

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

- (a) have explicit authority to investigate any matter within its term 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 person(s) carrying out the internal audit function or activity (if any);
- (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, without the attendance of other Directors and employees of the Company, whenever deemed necessary.

### **4.0 FUNCTIONS**

The Audit Committee shall, amongst others, discharge the following functions:-

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

- (a) with the external auditors:-
  - (i) the audit plan;
  - (ii) their evaluation of the system of internal controls;
  - (iii) their audit report;
  - (iv) their management letter and management's response; and
  - (v) the assistance given by the employees of the Company to the external auditors.
- (b) the quarterly results and the year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
  - (i) the going concern assumption;
  - (ii) changes in or implementation of major accounting policies;
  - (iii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions and how these matters are addressed; and
  - (iv) compliance with accounting standards and other legal requirements;
- (c) any related party transactions 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; and
- (d) financial reporting process, detection of financial irregularities, to ascertain that the financial statements are consistent with operational information.

- 4.2 To monitor the management's risk management practices and procedures.
- 4.3 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.
- 4.4 In respect of the Internal Audit Function:-
- (i) to review the adequacy of the scope, functions, budget, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work and that it reports directly to the Audit Committee;
  - (ii) to review the internal audit programme, processes and the results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - (iii) to review any appraisal or assessment of the performance of the members of internal audit function;
  - (iv) to approve any appointment or termination of senior staff members of the internal audit function; and
  - (v) to take cognizance of resignation of internal audit staff member and provide the resigning staff member an opportunity to submit his reason of resignation.
- 4.5 To recommend the nomination of a person or persons as external auditors and the external audit fee.
- 4.6 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 ACE Market Listing Requirements.
- 4.7 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.