

AUDIT COMMITTEE

TERMS OF REFERENCE

1.0 OBJECTIVE

The Principal objective of the Audit Committee (“the Committee” or “AC”) is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Group. In addition, the Committee shall:-

- a. Evaluate the quality of the audit conducted by the internal and external auditors;
- b. Provide assurance that the financial information presented by management is relevant, reliably and timely;
- c. Oversee compliance with laws and regulations and observance of a proper code of conduct;
- d. Determine the adequacy of the Group’s control environment; and
- e. Assess the suitability, objectivity and independence of the external auditor.

2.0 MEMBERSHIP

- 2.1 The AC shall be appointed by the Board of Directors from amongst their members and comprising not less than three (3) members, exclusively Non-Executive Directors of whom majority shall be the Independent Directors. Nevertheless, the Audit Committee members are expected to be financially literate and are able to understand matters purview of the Audit Committee including the financial reporting process.
- 2.2 At least one of the members of the AC must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of working experience and either must have passed the examinations specified in Part I of the schedule of Accountants Act, 1967, or must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act, 1967 or fulfils such other requirements as prescribed or approved by the Bursa Securities.
- 2.3 The members of the AC shall elect a chairman among their number who shall be an Independent Director. In the absence of the Committee Chairman, the remaining members present shall elect one of their members whose is an Independent Director to chair the meeting.
- 2.4 No alternate director shall be appointed as a member of the AC.
- 2.5 The office of a member shall become vacant upon the member’s resignation/retirement/removal or disqualification as a Director of the Company.

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TERMS OF REFERENCE (continued...)

2.0 MEMBERSHIP (continued...)

2.6 If a member of the AC, for whatsoever reason ceases to be a member with a result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of the events (or such other time frame as set out in the Bursa Securities ACE Market Listing Requirements from time to time), appoints such number of new members as may be required to meet the minimum required number of members, appoints such number of new members as may be required to make the minimum number of three (3) members.

2.7 Where a former key audit partner is appointed as the Independent Director of the Company, a cooling-off period of at least three (3) financial year ends is observed before the concern person can be appointed as a member of the AC.

3.0 AUTHORITY

3.1 The AC is authorized by the Board of Directors shall have the authority to investigate any matter within its terms of reference and shall have unlimited access to both the internal and external auditors, as well as the employees of the Group. All employees are directed to co-operate with any request made by the Committee.

3.2 AC shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to senior management of the Group.

3.3 AC shall have the authority to obtain independent legal or other professional advice as it considers necessary.

3.4 AC shall be able to convene meetings with the external/internal auditors, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

3.5 AC shall have the power to establish Sub-Audit Committee(s) to carry out certain investigation on behalf of the Committee in such manner, as the Committee deem fit and necessary.

4.0 MEETINGS AND PROCEEDINGS

4.1 AC is at its liberty to determine the frequency of the meetings of at least four times annually. The quorum shall consists of two (2) members, where the majority of members present must be independent directors.

4.2 The Company Secretary shall be the Secretary of the Committee and shall be responsible for drawing up the agenda with concurrence of the chairperson and circulating it, supporting by explanatory documentation to committee members prior to each meeting.

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TERMS OF REFERENCE (continued...)

4.0 MEETINGS AND PROCEEDINGS (continued...)

- 4.3 The notice of each meeting of the AC confirming the venue, time and date and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the AC not fewer than three (3) working days prior to the date of the meeting.
- 4.4 The meetings of AC 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 foresaid.
- 4.5 A resolution in writing signed or approved by letter, telex or facsimile by a majority of members (of whom at least two 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.
- 4.6 The external auditors may be invited to attend the meetings. The Committee may invite any person to be in attendance to assist in its deliberations. The other directors and employees attend any particular AC meeting only at the Committee's invitation, specific to the relevant meeting.
- 4.7 Minutes of meetings shall be taken by the AC Secretary. Minutes of all meetings shall be confirmed by the Chairman of the meeting and circulated to all the members of the AC and all the other Board members.

5.0 DUTIES

5.1 The duties of the Audit Committee include the followings:-

- 5.1.1 to consider the appointment or re-appointment of external auditors, the audit fee and matter relating to the resignation or dismissal of auditors, if any;
- 5.1.2 to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- 5.1.3 to review the quarterly and annual financial statements before submission to the Board of Directors for approval, focusing particularly on:-
- Changes in accounting policies and practices;
 - Significant and unusual events;
 - Significant adjustments resulting from the audit;
 - The going concern assumption; and
 - Compliance with accounting standard and other legal requirements.

AUDIT COMMITTEE

TERMS OF REFERENCE (continued...)

5.0 DUTIES (continued...)

5.1 The duties of the Audit Committee include the followings:- (continued...)

5.1.4 to discuss problems and reservations arising from the interim and final audits, and any matter the external/internal auditors may wish to discuss.

5.1.5 to do the followings in relation to internal audit function exists;

- Review the adequacy of the scope, function, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- Review the appointment or re-appointment of the internal auditors, the audit fee and questions of resignation or dismissal; and
- To consider major findings of internal investigations and management's response.

5.1.6 to consider 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; and

5.1.7 to assess the suitability, objectivity and independence of the external auditor by considering among others:-

- The competence, audit quality and resource capacity of the external auditor in relation to the audit;
- Nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
- Obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

5.1.8 to verify the allocation of options pursuant to the ESOS at the end of each financial year as being in compliance with the criteria which are disclosed to the employees; and

5.1.9 to perform such other duties if any as maybe agreed by the Committee and the Board or as per the directive of the governmental and/or regulatory authorities.

6.0 OTHER

6.1 These terms of reference may from time to time be amended as required, subject to the approval of the Board of YBS International Berhad.