

ONLY WORLD GROUP HOLDINGS BERHAD (1033338-K)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Definition:

“Committee”	:	The audit committee of the Company.
“Company”	:	Only World Group Holdings Berhad and by whatever name from time to time called.
“Group”	:	The Company and its subsidiaries.
“Listing Requirements”	:	Bursa Securities Main Market Listing Requirements including any relevant practice and/or guidance notes, directives, guidelines issued pursuant thereto and any amendment, modification, supplemental to the listing requirements that may be made from time to time.
“Board” or “Directors”	:	The directors for the time being of the Company or such number of them as have authority to act for the Company.
“Code”	:	Malaysian Code on Corporate Governance and as amended from time to time.
“Designated Stock Exchange”	:	Bursa Malaysia Securities Berhad (Company No. 635998-W) for so long as the shares of the Company are listed and quoted on the Bursa Malaysia Securities Berhad and/or such other stock exchange in respect of which the shares of the Company may be listed or quoted.
“Secretary”	:	Any person or persons jointly appointed to perform the duties of a secretary of the Company including any person(s) appointed temporarily and any representative of the secretary.

1. Composition and Membership

1.1 The Board must appoint the members of the Committee from amongst its Directors which fulfils the following requirements:

- (a) the Committee must be composed of not fewer than three (3) members;
- (b) all the Committee members must be non-executive directors, with a majority of them being independent directors; and
- (c) at least one (1) member of the Committee:
 - (i) must be a member of a 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 First Schedules of the Accountants Act 1967; or
 - (bb) he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

- (iii) fulfils such other requirements as prescribed or approved by the Designated Stock Exchange.

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

2. Chairman of the Committee

2.1 The members of the Committee must elect a chairman among themselves who is an independent director

2.2 If the Chairman is not present at a meeting within five minutes after the time appointed for holding the meeting, the members of the Committee may elect one of the numbers to be the chairman of the meeting.

3. Function of the Committee

3.1 The Committee, amongst others, shall discharge the following functions:

- (a) review the following and report the same to the Board of the Company:
 - (i) with the external auditor, the audit plan;
 - (ii) with the external auditor, his evaluation of the system of internal controls;
 - (iii) with the external auditor, his audit report;
 - (iv) the assistance given by the employees of the Company to the external auditors;
 - (v) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has necessary authority to carry out its work;
 - (vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (vii) the quarterly results and year end financial statements, before the approval by the Board, focusing particularly on:
 - (aa) changes in or implementation of major accounting policy changes;
 - (bb) Significant matters highlighted including financial reporting issues;
 - (cc) Significant judgements made by management;
 - (dd) significant and unusual events or transactions and how these matters are addressed; and
 - (dd) compliance with accounting standards and other legal requirements;
 - (viii) the policies and procedures for assessment of sustainability and independence of external auditors.
 - (ix) the policies and procedures governing the provision of non-audit services by external auditors.
 - (x) any related party transaction and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (xi) any letter of resignation from the external auditors of the Company; and

- (xii) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment ; and
- (b) recommend the nomination of a person or persons as external auditors.

4. Attendance of Other Directors and Employees

- 4.1 The Board must ensure that other Directors and employees attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.

5. Procedure of the Committee Meetings

5.1 Frequency of Meetings

The Committee shall meet at least four (4) times a year at appropriate times in the reporting cycle and otherwise as required.

5.2 Quorum

- (a) In order to form a quorum in respect of a Committee meeting, the majority of members present must be independent directors.
- (b) A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested by the Committee.

5.3 Notice of Meetings

- (a) Meetings of the Committee shall be summoned by the Secretary at the request of any of its members or at the request of external or internal auditors if they consider it is necessary.
- (b) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee by e-mail at the email address provided by each member of the Committee, and also any other Directors or persons required to attend, no later than three (3) working days before the date of the meeting. Supporting papers shall be emailed to Committee members and to other attendees as appropriate, at the same time when available.

5.4 Voting and Proceedings of Meetings

- (a) The Committee members may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. Any time any Committee member or the Secretary on the requisition of a Committee member shall, summon a meeting of the Committee by notice served on the Committee members. Any Committee member may waive notice of any meeting and any such waiver may retroactive.
- (b) The Committee members may participate in a meeting of the Committee by means of a teleconference or similar communications equipment by means of which all persons participating in the meeting can hear each other, without a Committee member being in the physical presence of another Committee member or members, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. The Committee members participating in any such meeting shall be counted in the quorum for such meeting and subject to there being a requisite quorum present, all resolutions agreed by the Committee members in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Committee members duly convened and held. A meeting conducted by means of a teleconference or similar communications

equipment as aforesaid is deemed to be held at the place agreed upon by the Committee members attending the meeting, provided that at least one (1) of the Committee members present at the meeting was at the place for the duration of the meeting.

- (c) Questions arising at any meeting of the Committee shall be determined by a majority of votes. Where two (2) Committee members form a quorum, the Chairman of a meeting at which only such a quorum is present of at which only two (2) Committee members are competent to vote on the question at issue, shall not have a casting vote.

5.5 Circular Resolutions

A resolution in writing signed, confirmed or approved by letter, telegram, telex or facsimile, email or other means of written communications by majority of the Committee members (and for so long as the shares of the Company are listed on the Designated Stock Exchange shall include at least two (2) independent directors) shall be valid and effectual as if it has been passed at a meeting of the Directors duly called and constituted provided that such number of members approving the resolution is sufficient to constitute a quorum and any such signed resolution, confirmation or approval by letter, telegram, telex or facsimile, email or other means of written communications may consist of several or disparate forms of communication, each signed, confirmed or approved by any one or more members. All such resolutions shall be described as "Audit Committee's Circular Resolutions" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him/her in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one or more members. A resolution which has been confirmed or approved by letter, telegram, telex, facsimile, email or other means of communications by a member shall be subsequently signed by that member as soon as possible and delivered to the Secretary, but may be acted upon by the Company meanwhile. The expressions "in writing" and "signed" include approval by any such member by telefax or any form of electronic communication approved by the members for such purpose from time to time incorporating, if the members deem necessary, the use of security and/or identification procedures and devices approved by the members.

5.6 Minutes of Meetings

- (a) The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- (b) The Secretary should ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute them accordingly.
- (c) Minutes of the Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.
- (d) The Secretary shall keep record of all conclusions and resolutions passed at all Committee meetings, including the names and signatures of the attendants.
- (e) Full minutes of the Committee meetings shall be kept by the Secretary.

5.7 Annual General Meeting ("AGM")

The Chairman of the Committee shall attend the AGM and prepared to respond to any shareholder's question on the Committee's activities.

6. Reporting of Breaches to the Designated Stock Exchange

- 6.1 Where a member of 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, the member must promptly report such matter to the Designated Stock Exchange.

7. Rights of the Committee

- 7.1 The Company must ensure that wherever necessary and reasonable for the performance of its duties, the Committee must, in accordance with a procedure to be determined by the Board and at the cost of the Company:
- (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 person(s) carrying out the internal audit function or activity;
 - (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.

8. Retirement and Resignation

- 8.1 In the event of any vacancy in the Committee resulting in the non-compliance of Paragraphs 1.1 and 2 above, the Company must fill the vacancy within three (3) months.

9. Review of the Committee

- 9.1 The Nominating Committee of the Company must review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and such members have carried out their duties in accordance with their terms of reference.

10. Duties of the Committee

- 10.1 The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate;

Financial Reporting

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements that they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents such as announcements of a price sensitive nature.
- (b) The Committee shall review and challenge where necessary:
 - (i) the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company/Group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;

- (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;
- (iv) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- (v) all material information presented with the financial statements, such as the operating and financial review and the Corporate Governance statement (insofar as it relates to the audit and risk management).

Internal Controls and Risk Management Systems

The Committee shall:

- (a) keep under review the effectiveness of the Company's internal controls and risk management systems;
- (b) discuss the internal control system with management to ensure the management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting and financial reporting function;
- (c) review and approve the statements to be included in the annual report concerning internal controls and risk management systems; and
- (d) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

Whistleblowing

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Internal Audit

The Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (b) approve the appointment and removal of the head of the internal audit who reports directly to the Committee and should have the relevant qualifications and be responsible for providing assurance to the Board that the internal controls are operating effectively;
- (c) consider and approve the remit of the internal audit function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure that the function has adequate standing and is free from management or other restrictions;
- (d) review and assess the annual internal audit plan;
- (e) review promptly all reports on the Company from the internal auditors;

- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditors; and
- (g) meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee.

External Audit

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee shall oversee the selection process for new external auditors and if an external auditors resign, the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) oversee the relationship with the external auditors including (but not limited to):
 - (i) approving their remuneration, whether fees for audit or non-audit services and verifying that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (ii) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Company (other than in the ordinary course of business);
 - (v) agreeing with the Board a policy on the employment of former employees of the Company's auditors, then monitoring the implementation of this policy;
 - (vi) monitoring the auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (vii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditors on their own internal quality procedures;
- (c) meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- (d) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

- (e) review findings of the audit with the external auditors. This shall not include, but not be limited to, the following:
 - (i) a discussion of any major issues that arose during the audit;
 - (ii) any accounting and audit judgement; and
 - (iii) level of errors identified during the audit,the Committee shall also review the effectiveness of the audit;
- (f) review any representation letter requested by the external auditors before being signed by management;
- (g) review the management letter and management's response to the auditors' findings and recommendations;
- (h) report to the Board on the matters set out in and relating to the Code as amended from time to time;
- (i) prepare a summary of its work during the year for inclusion in the Company's Corporate Governance Statement/Report (including a report on how the Committee met its responsibilities in its review of the Company's quarterly and annual results and internal controls system, and its other duties under the Code; details of the Company's non-compliance with the Code and Listing Requirements (if any) and remedial steps taken by the Company to address such non-compliance); and
- (j) develop and implement a policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter.
- (k) obtain 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.

Review of Conflict of Interest Situations and Related Party Transactions

- (a) The Committee shall review and report to the Board 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.
- (b) The Committee shall review related party transactions and conflict of interest situations and ensure that the transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders.
- (c) The Committee should ensure that management establishes a comprehensive framework for the purposes of identifying, monitoring, evaluating, reporting and approving such situations and transactions. Such a framework should be able to provide sufficient assurance that related party transactions and conflict of interest situations, including recurrent related party transactions, are identified, evaluated, presented for review and approval and reported, where required. The Committee may request the internal auditors or other external consultants to review the effectiveness, adherence to and relevance of the framework.
- (d) Additionally, there could be transactions that may not fall within the definition of a related party transaction as per the Listing Requirements strictly but may still involve certain level of conflict of interest due to the close proximity of the transacting parties or where the

director or major shareholder may derive personal gain or advantage from the transaction or arrangement.

Reporting Responsibilities

- (a) 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.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.

Corporate Governance

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance/risk management manual (if any) applicable to employees and Directors;
- (e) to review the Company's compliance with the Code and disclosure in the its Corporate Governance Report/Statement;
- (f) to report back to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so); and
- (g) to prepare a summary of its work during the year for inclusion in the Company's Corporate Governance Report/Statement (including a report on the corporate governance policies and the work of the Committee during the year).

Other Matters

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties , including access to the company secretariat for assistance as required;
- (b) be provided with appropriate and timely training, in the form of an induction programme for new members and on an on-going basis for all members;
- (c) give due consideration to laws and regulations, the provisions of the Code and the requirements of the Designated Stock Exchange and other securities rules as appropriate;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities that are within its terms of reference and act as a court of the last resort; and

- (f) review its own performance, constitution and terms of reference as and when necessary to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. Authority

11.1 The Committee is authorised:

- (a) to seek any information it requires from any employee of the Company in order to perform its duties;
- (b) to obtain, at the Company's expense, outside legal or other profession advice on any matters within its terms of reference; and
- (c) to call any employee to be questioned at a meeting of the Committee as and when required.

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