



IQ GROUP HOLDINGS BERHAD

(200301034523) (636944-U)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. Objectives

The principal objective of the Audit Committee 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:

- Evaluate the quality of the audit conducted by the internal and external auditors;
- Oversee the financial information presented by management to ensure it is factual, reliable and timely;
- Oversee compliance with laws and regulations and observance of a proper code of conduct which is in accordance with Code of Business Conduct and Ethics;
- Determine the adequacy of the Group's control environment.

2. Members

The Audit Committee shall be appointed by the Board of Directors from amongst their members and comprising not less than three (3) members, all of whom shall be Non-Executive Directors, with a majority being Independent Directors. An Independent Director shall be the one who fulfils the requirements as provided in the Bursa Malaysia Securities Berhad Main Market Listing Requirements (Main LR).

Chairman of the Board shall not be a member of the Committee;

At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants, or if he is not a member of the Malaysian Institute of Accountants, must have at least three (3) years working experience and either have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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.

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an Independent Non-Executive Director. No alternate Director shall be appointed as a member of the Committee.

A member who wishes to retire or resign from IQGHB shall notify the Board in writing by giving at least three (3) months' notice or such shorter period as may be agreed by the Board.

If a member of the Audit Committee, for whatever reason, ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of the event, appoints such number of new members as may be required to make up the minimum number of three (3) members.

3. Authority

The Committee is authorized by the Board to investigate any activity 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.

The Committee shall also 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.

The Committee 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.

The Committee shall have the authority to obtain independent legal or other professional advice, as it considers necessary.

It shall also 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 shall deem fit and necessary.

4. Meetings

The Committee is at liberty to determine the frequency of its meetings, which in any event shall not be less than four (4) times a year.

The quorum shall consist of two (2) members, majority of Independent Directors.

5. Attendance at meetings

The Group Financial Controller and a representative of the external and internal Auditors are invited to attend the meeting as and when necessary. Other Board members may attend meetings upon the invitation of the Committee. However, the Committee should meet with the external Auditors without executive Board members present at least twice a

year. The Committee may invite any person to be in attendance to assist in its deliberations.

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, supported by explanatory documentation to committee members prior to each meeting.

6. Duties

The duties of the Audit Committee include the followings:

- to consider and recommend the appointment and re-appointment of the external Auditors, the audit fee and any questions of resignation or dismissal, if any;
- to assess the suitability, objectivity and independent of the auditor annually and establish policies and procedures to address, among others, the following:-
 - the criteria on the appointment and re-appointment of the external auditors. 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 should 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;
 - the appropriateness of audit fees to support a quality audit;
 - requirement for the non-audit services to be approved before they are rendered by the external auditors and its affiliates while taking into account the nature and extent of the non-audit services 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.
 - requirement to obtain 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.
- to discuss with the external Auditors on their audit plan including the assistance given by the employees of the Company to the external Auditors;

- to review the quarterly and year-end financial statements of the Company, focusing particularly on:
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption;
 - compliance with accounting standards and other legal requirements; and
 - any Significant and Unusual Events.
- to review the financial reporting process, detect financial irregularities and to ascertain that the financial statements are consistent with operational information.
- 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;
- To review and report to the Board any conflict of interest that arose, persist or may arise together with measures taken to resolve, eliminate or mitigate such conflicts, as well as to disclose them in the Audit Committee Report.
- to review the major risk area of the Group;
- to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- to review evaluation by the External Auditors on the System of Internal Controls, the external Auditors' management letter and management's response;
- to do the following where an internal audit function exists:
 - review 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;
 - review the internal audit programme, processes, 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;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function;

- review the resignation of internal audit staff members and provide the staff member the opportunity to submit his reasons for resigning;

- to review the allocation of options during the year under the company's Employees' Share Option Scheme ("ESOS") to ensure that this is in compliance with the allocation criteria determined by the ESOS committee and in accordance with the By-Laws of the ESOS;

- to maintain and keep under review the whistle-blowing mechanism of the Group which shall be in accordance with Whistleblowing Policy, which aims to provide protection and confidentiality;

- to consider the major findings of internal investigations and management's response. Direct and where appropriate, supervise any special projects or investigations considered necessary, and review investigation reports on any major defalcations, frauds and thefts (including prompt reporting to the Board and acted upon);

- to consider other topics as defined by the Board.

7. Reporting

The Committee is authorized to regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceeding thereat, the keeping of minutes and the custody, production and inspection of such meetings.

The minutes of meetings shall be circulated by the Secretary of the Committee to the Committee members and all the other Board members.