



**SKYWORLD DEVELOPMENT BERHAD**  
**Registration No. 200601034211 (753970-X)**

**Terms of Reference of the Audit & Risk Management Committee (“ARMC”)**

Purpose	The primary objectives of the ARMC are to provide assistance to the Board in discharging its statutory and fiduciary responsibilities in respect of financial reporting, corporate governance, internal control and risk management as well as related party transactions and conflict of interest of SkyWorld Development Berhad and its subsidiaries (“the Group”).
Composition	<p>The ARMC shall be appointed by the Board from amongst its Directors and shall consist of not fewer than 3 members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.</p> <p>All members of the ARMC, including the Chairman, shall hold office only so long as they serve as Directors of the Company. Should any member of the ARMC cease to be a Director of the Company, his membership in the ARMC will cease forthwith.</p> <p>All members of the ARMC should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the ARMC including the financial reporting process. All members of the ARMC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. At least 1 member of the ARMC:-</p> <ul style="list-style-type: none"><li>(i) must be a member of the Malaysian Institute of Accountants; or</li><li>(ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least 3 years’ working experience and –<ul style="list-style-type: none"><li>(a) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or</li><li>(b) he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or</li></ul></li><li>(iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.</li></ul> <p>No alternate director of the Board shall be appointed as a member of the ARMC.</p> <p>In the event of any vacancy in the ARMC resulting in the non-compliance with Paragraphs 15.09(1) and 15.10 of the Main Market Listing Requirements (“MMLR”), the vacancy must be filled within 3 months from the date of such vacancy.</p>

	A former key audit engagement partner of the External Auditors of the Company must first observe a cooling-off period of at least 3 years before appointed as member of the ARMC.
Chairman	The Chairman of the ARMC shall be an Independent Non-Executive Director appointed by the Board.  The Chairman of the Board shall not be a member of the ARMC.
Authority	The ARMC is authorised by the Board to carry out the following in accordance with the procedure determined by the Board and at the cost of the Company:-  <ol style="list-style-type: none"> <li>1. have authority to investigate any matter within its terms of reference;</li> <li>2. have the resources which are required to perform its duties;</li> <li>3. have full and unrestricted access to any information pertaining to the Company and the Group;</li> <li>4. have direct communication channels with both the External Auditors and Internal Auditors;</li> <li>5. have full access to any employee or member of the management;</li> <li>6. be able to obtain external legal or other independent professional advice as and when necessary; and</li> <li>7. be able to convene meetings with the External Auditors and Internal Auditors without the presence of the Executive Directors, Senior Management and any employees of the Group, whenever deemed necessary.</li> </ol>
Duties and Responsibilities	In fulfilling its primary objectives, the ARMC shall undertake the following duties and responsibilities:  (a) <u>External Audit</u>  <ol style="list-style-type: none"> <li>1. To consider the appointment or re-appointment of External Auditors and review the audit fees proposed by the External Auditors, and any question of their resignation or dismissal and the reasons thereof;</li> <li>2. To review the annual audit plan, the nature and scope of the audit, evaluation of the Group's systems of internal controls and the annual audit report;</li> <li>3. To ensure sufficient cooperation given by the employees of the Company to the External Auditors in performing their tasks;</li> <li>4. To establish policies and procedure to assess the suitability, objectivity and independence of the External Auditors by conducting annual assessment and report the findings and observation to the Board;</li> <li>5. To review and evaluate the performance of the External Auditors by taking into account the competency, adequacy of experience and resources of the firm and professional staff assigned to perform the audit;</li> <li>6. To review the non-audit services provided by the External Auditors and/or its affiliates including the nature and the extent of the non-audit services and the appropriateness of the level of fees as to eliminate or reduce the threat to objectivity and independence of the conduct of the external audit</li> </ol>

resulting from the non-audit services provided;

7. To review the External Auditors' management letter and response from the Management; and
8. To 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 requirement.

(b) Financial Reporting

1. To review the quarterly results and year-end financial statements of the Group before making recommendation to the Board, including: -
  - declaration of dividend, if any;
  - any changes in or implementation of major accounting policies and practices;
  - the going concern assumption;
  - compliance with the approved accounting standards and other legal requirements; and
  - any significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed.

(c) Internal Audit Function

1. To decide on the appointment and removal of the Internal Auditors and review the budget for the internal audit function;
2. To review any letter of resignation from Internal Auditors and provide the Internal Auditors an opportunity to submit reasons for resigning;
3. To review the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
4. To review and approve the annual internal audit plan, processes, and ensure the Group's internal control framework is maintained;
5. To ensure sufficient cooperation given by the employees to the Internal Auditors in performing their tasks;
6. To review the findings of the internal audit assessments, investigation undertaken and Management's action plan arising from the audit recommendations; and
7. To enhance the internal audit function by providing direction to and oversight of these functions.

(d) Risk Management

1. To review the adequacy and effectiveness of risk management framework, internal control and governance systems implemented within the Group;
2. To monitor risk management processes to ensure they are integrated into all core business processes;

	<ol style="list-style-type: none"> <li>3. To review the risk management report and ensure that all risks are identified, assessed and monitored;</li> <li>4. To discuss any significant risk or exposure and mitigation plan undertaken by the Group;</li> <li>5. To review the Group’s risk management policy and implementation of the risk management framework; and</li> <li>6. To review the Statement on Risk Management and Internal Control in the Company’s Annual Report.</li> </ol> <p>(e) <u>Other Matters</u></p> <ol style="list-style-type: none"> <li>1. To review any related party transaction and/or 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;</li> <li>2. To review the ARMC Report for the Company’s Annual Report;</li> <li>3. To report to Bursa Malaysia Securities Berhad on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the MMLR;</li> <li>4. To highlight significant matters and resolutions at each Board meeting; and</li> <li>5. To carry out any other duties as may be directed by the Board from time to time.</li> </ol>
Secretary	<p>The Company Secretary or other persons appointed by the Board shall be the Secretary of the ARMC and shall be responsible, with the concurrence of the Chairman of the ARMC, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting and shall be entrusted to record all proceedings and minutes of all meetings of the ARMC.</p>
Meetings	<ol style="list-style-type: none"> <li>1. The ARMC shall meet regularly and hold at least 4 meetings in a financial year. The Chairman of the ARMC may call for additional meetings at any time at his discretion.</li> <li>2. The quorum for each ARMC meeting shall be at least 2 members, the majority of whom must be Independent Non-Executive Directors.</li> <li>3. The Chairman of the ARMC shall chair the ARMC meetings. In the absence of the Chairman, the members of the ARMC present shall choose 1 of their numbers who shall be an Independent Non-Executive Director to chair the meeting.</li> <li>4. Questions arising at any ARMC meeting shall be decided by a majority of votes. Each member has 1 vote. In the event of equality of votes, the Chairman of the ARMC shall have a second or casting vote. However, at meetings where 2 members are present or when only 2 members are competent to vote on an issue, the Chairman of the ARMC will not have the second or casting vote.</li> <li>5. The External Auditors, Internal Auditors, Executive Directors, Management and/or any employees of the Company may attend any particular ARMC meeting upon the invitation of the ARMC.</li> <li>6. The ARMC shall meet with the External Auditors and Internal Auditors without the presence of the Executive Directors, Management personnel and employees</li> </ol>

	<p>at least once a year or whenever necessary.</p> <p>7. The ARMC members may participate in a meeting by means of telephone, video conferencing or any other form of audio or audio-visual instantaneous communication. Such participation shall constitute presence in person at such meeting.</p> <p>8. The Chairman of the ARMC shall report on matters discussed and reviewed at each ARMC meeting to the Board.</p> <p>9. The minutes of the ARMC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the succeeding meeting.</p> <p>10. A resolution in writing, signed or approved by all members of the ARMC by letter or other electronic means, shall be as valid and effectual as it has been passed at a meeting of the ARMC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more ARMC members.</p>
<p>Review of Terms of Reference</p>	<p>The Terms of Reference will be reviewed from time to time and updated in accordance with the needs of the Company and any new regulations. Any revision or amendment to this Terms of Reference, as proposed by the ARMC or any third party, shall first be presented to the Board for approval.</p>