

EDUSPEC HOLDINGS BERHAD

(Company No. 646759-X)

(Incorporated in Malaysia)

AUDIT COMMITTEE

TERMS OF REFERENCE

1. Membership

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, a majority of whom shall be Independent Directors. All members of the audit committee should be non-executive directors.

The members of the Audit Committee shall elect a chairman from among their members who shall be an independent director. No alternate director shall be appointed as a member of the Audit Committee.

2. Qualification

At least one (1) member of the Audit Committee:-

- (a) must be a member of the Malaysian Institute of Accountants; or
- (b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:
 - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he/she must be a member of one (1) of the association of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - fulfills such other requirement as prescribed by the Bursa Securities.

3. Meeting and Minutes

Meetings shall be held not less than four (4) times a year and attended by the Chief Executive Officer, General Manager of Finance and other senior management who may be invited as and when required. The presence of external and/or internal auditors will be requested, if required. Other members of the Board and senior management may attend meetings upon the invitation of the Audit Committee. Both the internal and/or external auditors may request a meeting if they consider it to be necessary. The Audit Committee shall meet with the external auditors without executive board members present at least twice a year.

The Secretary to the Audit Committee shall be the Company Secretary. The Chairman of the Audit Committee shall report on each meeting to the Board.

Any resolution in writing, signed or assented to by all the members of the Committee shall be as valid and effectual as if had been passed at a meeting of the Committee duly convened and held, and may consist of several documents in the like form, each signed by one or more members of the Committee.

4. Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information pertaining to the Group, both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary in the discharge of its duties.

5. Responsibilities and Duties

In fulfilling its primary objectives, the Audit Committee undertakes, amongst others, the following responsibilities and duties:-

- (a) To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- (b) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to the external auditors;
- (c) To review with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- (d) To review the internal audit scope and functions, plans, findings, performance of the internal audit function, appointment or termination of senior staff members of the internal audit function;
- (e) To review the quarterly reporting to the Bursa Securities and year end annual financial statements of the Group before submission to the Board;
- (f) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) To consider the nomination and appointment of external auditors, as well as the audit fee;
- (h) To review any letter of resignation from the external auditors and any questions of resignation or dismissal;

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Audit Committee

Re: Terms of Reference (*cont'd*)

- 3 -

- (i) To obtain written assurance from the external auditors confirming the Audit Committee's independence;
- (j) To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- (k) To verify that the allocation of options pursuant to the Employees' Share Options Scheme of the Company is in accordance with the criteria for allocation established under the scheme at the end of each financial year; and
- (l) To promptly report to Bursa Securities if it 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.