

The Audit and Risk Committee (“**Committee**”) is a committee of the Board of Directors (“**Board**”) of Eden Inc. Berhad (“**Eden**”).

1. OBJECTIVES

The principal objective of the Committee is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Committee shall:

- a. evaluate the quality of the audits performed by the internal and external auditors;
- b. provide assurance that the financial information presented by management is relevant, reliable and timely;
- c. oversee compliance with laws and regulations and observance of a proper code of conduct; and
- d. determine the quality, adequacy and effectiveness of the Group’s control environment.

2. MEMBERSHIP

The members of the Committee comprise of three (3) Independent Non-Executive Directors.

3. TERMS OF REFERENCE

3.1 Composition of Audit and Risk Committee

The Board shall appoint the Committee members from amongst themselves, comprising no fewer than three (3) directors, all of whom shall be non-executive directors, where the majority shall be independent directors.

In this respect, the Board adopts the definition of “independent director” as defined under the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**” or “**the Exchange**”).

All members of the Committee should be financially literate and at least one (1) member of the Audit and Risk Committee must meet the criteria set by MMLR of Bursa Securities, i.e.:

- a. must be a member of the Malaysian Institute of Accountants (“**MIA**”); or
- b. if he is not a member of MIA, he must have at least 3 years’ working experience and:
 - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

- ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- c. fulfil such other requirements as prescribed by the Exchange.

The Board must ensure that no Alternate Director is appointed as a member of the Committee. The members of the Committee shall elect a chairman from amongst their number who shall be an Independent Director.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether such Committee members have carried out their duties in accordance with their terms of reference.

3.2 Retirement and Resignation

If a member of the Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 2 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

3.3 Chairman

The members of the Committee shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman of the Committee, the other members of the Committee shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

3.4 Secretary

The Company Secretary shall be the Secretary of the Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

3.5 Meetings

The Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Minutes of each meeting shall be kept and distributed to each member of the Committee and also to the other members of the Board. The Committee Chairman shall report on each meeting to the Board. Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Notice of the Committee meetings shall be given to all the Committee members unless the Committee waives such requirement.

The Chairman of the Committee shall engage on a continuous basis with the Chairman, such as the Executive Directors and Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

The Chief Financial Officer, a representative of the internal and external auditors respectively should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Committee. The Committee shall be able to convene meeting with the external auditors, the internal auditors of both without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.

3.6 Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the other members of the Board. The Chairman of the Committee shall report on the proceeding of each meeting to the Board.

The minutes of the Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

3.7 Quorum

The quorum for the Committee meeting shall be the majority of members present whom must be independent directors.

A resolution in writing signed by a majority of the Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Committee members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of a Committee member.

3.8 Reporting

The Committee shall report to the Board, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Committee shall report to the Board on any specific matters referred to it by the Board for investigation and report.

3.9 Authority

The Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company:

- a. have explicit authority to investigate any activity within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Committee;
- b. have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group;
- c. obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- d. have direct communication channels with the internal and external auditors and person(s) carrying out the internal audit function or activity (if any); and
- e. where the Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the Committee shall promptly report such matter to Bursa Securities.

3.10 Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:

- a. to consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- b. to establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors;
- c. to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- d. to review with the external auditors the evaluation of the system of internal controls and the audit report;
- e. to review the quarterly and year-end financial statements of the Company before submission to the Board, focusing particularly on:
 - i. any change in accounting policies and practices;
 - ii. significant adjustments arising from the audit;

- iii. the going concern assumption; and
- iv. compliance with applicable financial reporting standards and other legal requirements.
- f. to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- g. to review the external auditors' management letter and management's response;
- h. to do the following, in relation to the internal audit function:
 - i. review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - ii. review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - iii. review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings;
 - iv. review any appraisal or assessment of the performance of members of the internal audit function;
 - v. approve any appointment or termination of senior staff members of the internal audit function; and
- i. to consider any related party transactions 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;
- j. to report its findings on the financial and management performance, and other material matters to the Board;
- k. to consider the major findings of internal investigations and management's response;
- l. to verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- m. to monitor the integrity of the Company's financial statements;
- n. to monitor the independence and qualification of the Company's external auditors;

- o. to monitor the performance of the Company's internal audit function;
- p. to monitor the Company's compliance with relevant laws, regulations and code of conduct;
- q. to review the adequacy and effectiveness of risk management, internal control and governance systems; and
- r. to consider and examine such other matters as the Committee considers appropriate; and
- s. to consider other matters as defined by the Board.

4. ACTIVITIES OF THE AUDIT AND RISK COMMITTEE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The summary of activities of the Committee in the discharge of its duties and responsibilities for the financial year ended 31 December 2017 includes the following:

a. Review of Financial Statements

- i. Reviewed the unaudited quarterly report and annual report of the Company and Group prior to submission to the Board for consideration and approval.
- ii. Reviewed the draft audited financial statements of the Company and Group and ensured that the financial reporting and disclosure requirements of the relevant authorities are duly complied with prior to submission to the Board for consideration and approval.

b. Matters relating to External Audit

- i. Meeting with external auditors twice a year without the presence of the executive Board members and Management.
- ii. Reviewed the external auditor's appointment, scope of work and planning memorandum for the Company and the Group covering the audit objectives and approach, key audit areas and relevant accounting standards and other relevant pronouncements.
- iii. Reviewed the results of the audit, audit report and findings on the financial and management performance of the Company and Group and reported to the Board.
- iv. Reviewed the proposed audit fees for the external auditors in respect of their audit of the Group and of the Company for the financial year ended 31 December 2017.

c. Matters relating to Internal Audit

- i. Reviewed the Annual Audit and Risk Assurance Plan to ensure adequate scope and coverage on the activities of the Group based on the identified and assessed key risk areas.
 - ii. Reviewed the Risk Based Internal Audit Reports in respect of the audit recommendations, Management responses as well as actions taken to improve the system of internal control and procedure.
- d. Other matters
- i. Deliberated on the Group's financial performance, business development, management and corporate issues and recommendation for approvals of any key business strategies and actions that may affect the Group.
 - ii. Discussed the implications of any changes and pronouncements on the Company and the Group, which were issued by the accountancy, statutory and regulatory bodies.

5. INTERNAL AUDIT FUNCTION

The Board and the Committee are assisted by the in-house Internal Audit and Risk Assurance Department in maintaining a sound system of internal control. The Internal Audit and Risk Assurance Department reports to the Committee on the performance of its duties and is guided by its Audit Charter in its independent appraisals.

The primary role of internal audit is to provide independent assurance to the Board that:

- a. The Group's policies and guidelines have been communicated, implemented and are working as intended; and
- b. Risk areas have been identified and there are effective internal control systems over all aspects of the Group's business and operations.

The Internal Audit and Risk Assurance Department is responsible for developing and executing an effective audit plan to provide the Board with assurance that the systems of internal control and of the Group achieved the following.

- a. the business is planned and conducted in an orderly, prudent, efficient and cost effective manner;
- b. transactions and commitments are entered into in accordance with management authority;
- c. management is able to safeguard the assets and control the liabilities of the Group, i.e. there are measures to minimize and to detect the loss from irregularities, fraud and errors; and
- d. the accounting and other records of the business provide complete, accurate and timely information.



EDEN INC. BERHAD
(Co No. 36216-V)
(A member of Zil Group of Companies)

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

During the financial year 2017, Risk Based Internal Audit Reports prepared by the Internal Audit and Risk Assurance Department incorporating key issues, audit implication and actions being taken by management were tabled to the Committee. Follow-up audits were also conducted and the status of implementation on the agreed upon actions were tabled to the Committee.

Upon the resignation of the Internal Audit Manager, the internal audit function was carried out by JKO & Associates to provide the internal audit services for the Company and its subsidiaries.

Going forward, the internal audit function will enhance its risk based auditing techniques, the level of staff expertise, internal controls and corporate governance processes to assist the Group in achieving its corporate goals.