

SHANGRI-LA HOTELS (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**TERMS OF REFERENCE
AUDIT COMMITTEE**

1. FORMATION

The Board of Directors of Shangri-La Hotels (Malaysia) Berhad [“SHMB”] in accordance with Article 104 of the Memorandum & Articles of Association of SHMB, has established a Committee of the Board known as the Audit Committee on 6 July 1994 (*via DCR no: 202/94*).

2. MEMBERSHIP

- 2.1 The members of the Audit Committee shall be appointed by the Board and shall consist of not less than three members, the majority of whom shall be independent non-executive directors in accordance with the definition provided under Paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad. If membership for any reason falls below three members, the Board of Directors shall, within one month of that event, appoint such number of new members as may be required to fulfil the minimum requirement.
- 2.2 No alternate directors shall be appointed to the Audit Committee.
- 2.3 At least one member of the Audit Committee:
- Must be a member of the Malaysian Institute of Accountants (MIA); or
 - If he is not a member of MIA, must have at least three years of working experience and must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967, or be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - Must fulfil such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 2.4 The Chairman of the Committee shall be an independent non-executive Director appointed by the Board.
- 2.5 The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually.

3. MEETINGS

- 3.1 Meetings of the Audit Committee shall be held at least four times a year.
- 3.2 The quorum for a meeting of the Audit Committee shall be two members, a majority of whom must be independent non-executive directors. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.
- 3.3 The meetings of the Audit Committee shall normally be attended by the executive director and the Head of Internal Audit. The Audit Committee may also request other directors, members of senior management, counsels, internal and external auditors to participate in the Audit Committee meetings, as necessary.
- 3.4 The Audit Committee shall meet the external auditors at least once a year without members of senior management and executive directors present.
- 3.5 Minutes of the Audit Committee meetings shall be tabled at the meeting of the Board of Directors. The Audit Committee, through its Chairman, shall report on each meeting to the Board of Directors.

4. **AUTHORITY**

In the performance of its duties and responsibilities, the Audit Committee shall at the cost of the Company:

- a. have authority to investigate any activity within its Terms of Reference;
- b. have access to resources required to perform its duties within its Terms of Reference;
- c. have full and unrestricted access to any employee and information pertaining to the Group;
- d. have direct communication channels with the external auditors and members of the internal audit department who carry out the internal audit function of the Group;
- e. be able to engage independent professional advisers or to secure attendance of outsiders with relevant experience and expertise, when the Audit Committee considers this necessary.

5. **FUNCTIONS & DUTIES**

The Audit Committee shall carry out the following functions and duties:

- a. review external audit plans and scope of work before audit commences.
- b. review the adequacy of the internal audit plan and its scope of audit and ensure that the internal audit function has the necessary authority and resources to carry out its work.
- c. review the quarterly results and annual financial statements of the Company and Group before submission to the Board. The review should focus primarily on:
 - any changes in or implementation of major accounting policies and practices;
 - material judgements;
 - significant adjustments arising from the audit;
 - the going concern assumptions;
 - compliance with accounting standards and regulatory requirements.
- d. review and assess the adequacy and effectiveness of the systems of internal control and the efficiency of the Group's operations in particular those relating to areas of significant risks. Additionally, to assess the internal process for determining and managing the principal risks throughout the Group.
- e. review the scope of internal and external auditors' evaluation of the systems of internal control of the Group.
- f. review audit reports prepared by the internal and external auditors, the major findings and management's responses thereto and ensure that appropriate action is taken in respect of these reports.
- g. review appraisals or assessment of the performance of the staff members of the internal audit function.
- h. approve the appointments or termination of the Head of Internal Audit and senior executives in the internal audit function.
- i. be informed of resignations of internal audit staff members and provide the resigning staff member with an opportunity to submit his/her reasons for resigning.
- j. direct any special investigations to be carried out by internal audit.
- k. discuss problems arising from external audit including the assistance given by employees of the Group to the external auditors and any matters the external auditors may wish to discuss.
- l. nominate the external auditors and recommend for approval of the Board of Directors the external audit fee; and consider any questions of resignation or dismissal, resources and capability.
- m. review the effectiveness of the system for monitoring compliance with applicable laws and regulatory requirements.
- n. review 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.
- o. Promptly report to Bursa Malaysia any matter that the Audit Committee has previously reported to the Board of Directors but which has, in the view of the Audit Committee, not been satisfactorily resolved, resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad.
- p. perform other duties as directed by the Board of Directors.