

**TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE  
FAR EAST HOLDINGS BERHAD**  
(14809-W)  
(Incorporated In Malaysia)

**1.0 TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE**

**1.1 Objectives**

- (a) To assist the Board discharge its responsibilities by reviewing the adequacy and integrity of the Company's and the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (b) To reinforce the independence of the external auditors and facilitate in the audit process;
- (c) To provide, by way of regular meetings, a line of communication between the Board and the external auditors;
- (d) To provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is independent of the management;
- (e) To assess the performance of the internal and external auditors of the Company; and
- (f) To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

**1.2 Authority**

- 1.2.1 The Committee is authorised by the Board to investigate any matter within its Terms of Reference, to obtain the resources, which it needs, and to have full and unrestricted access to information. It is also authorised to seek any

information it requires from any employee or member of the management and all employees are directed to co-operate with any request made by the Committee.

- 1.2.2 The Committee shall have direct communication channels with the external and internal auditors.
- 1.2.3 Convene meetings with the external auditors, the internal auditors or both, without the attendance of other Directors and management, whenever deemed necessary.
- 1.2.4 The Committee is authorised by the Board to obtain independent professional or other advice at the Company's expense and to invite outsiders with relevant experience and expertise to attend meetings if it considers necessary.
- 1.2.5 Where the Committee 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 of the Bursa Malaysia Securities Berhad ("Bursa"), the Committee shall promptly report such matter to the Bursa.
- 1.2.6 Meet the exclusively among themselves, whenever deemed necessary.

### **1.3 Membership**

- 1.3.1 The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than three (3) members, of whom the majority shall be independent, not being:-
  - (a) An Executive Director of the Company or any related corporation;
  - (b) An officer or one who has been an officer within the last two years of the Company or any related corporation;
  - (c) A major shareholder of the Company or any related corporation;

- (d) A relative of an Executive Director, officer or major shareholder of the Company or its related corporation, being a spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child;
- (e) A nominee or representative of an Executive Director or major shareholder of the Company or any related corporation;
- (f) A professional adviser of the Company or any related corporation;
- (g) A person who has engaged in a transaction with the Company within the last two (2) years for a value exceeding RM250,000;
- (h) A person having a relationship that, in the opinion of the Directors, would interfere with the exercise of independent judgment in carrying out the duties of the Committee.

1.3.2 At least one member of the Committee:-

- (a) Must be a member of the Malaysian Institute of Accountants; or
- (b) If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' relevant working experience and:-
  - (i) He must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - (ii) He must be a member of one of the associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- (c) Fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

1.3.3 No alternate Director shall be appointed as a member of the Committee.

1.3.4 The members of the Committee shall elect from among their member a Chairman who is Non-Executive and Independent. The Chairman of the Audit Committee is not the Chairman of the Board.

- 1.3.5 A former key audit partner must observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.
- 1.3.6 If one or more members of the Committee resign, die or for any other reason cease to be a member with the result that the Listing Requirements of the Bursa are breached, the Board shall, within three (3) months of that event, appoint such a number of new members as may be required to correct the breach.
- 1.3.7 On an annual basis, the Board shall evaluate the Committee's performance and extent to which the Committee has met the requirements of its Terms of Reference, including the term of office and performance of the Committee and each of its members. This performance assessment may constitute a part of the annual Board effectiveness Assessment, pertaining to the assessment of Board committees.

## **1.4 Duties and Responsibilities**

### **1.4.1 Financial Reporting**

- (a) To review the quarterly results and year-end financial statements of the Company and the Group, and to recommend the same to the Board for approval, focusing particularly on the following:-
- any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - significant and unusual events;
  - compliance with accounting standards, Bursa and other legal-requirements; and
  - public announcement of results and dividend payment.
- (b) To obtain explanations from Management for unusual variances in the Company's annual financial statements from year to year, and review

annually the independent auditors' letter of the recommendations to management and management's response.

- (c) To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
- (d) To 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.
- (e) To consider and examine such other matters as the Board consider appropriate and beneficial.

#### 1.4.2 **Risk Management and Internal Control**

- (a) Review the adequacy and effectiveness of risk management, internal control and governance systems including information technology security control, and to evaluate the systems with the external auditors.
- (b) To review and verify annually the effectiveness of the Company's Risk Management Program and to review the Company's major risk exposures and the steps management has taken to monitor and control such exposures.
- (c) To review the risk assessment of the Company.

#### 1.4.3 **External Audit**

- (a) Review the competency and performance of the external auditors.
- (b) Consider and recommend the appointment, re-appointment, resignation, dismissal and remuneration of external auditors.
- (c) To discuss and review with the external auditors any proposal from them to resign as auditors.
- (d) To recommend to the Board on the appointment and the annual re-appointment of the external auditors and their audit fee, after taking

into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit.

- (e) To monitor the engagement of the external auditor in performing such audit services, considering the types of services rendered and its related fees, such that the position as auditor is not deemed to be compromised.
- (f) Review the external auditors proposed audit plan before the audit commences and discuss the nature, scope and approach of the audit.
- (g) To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.
- (h) Review and confirm the independence and objectivity of the external auditors, taking into consideration the local professional and regulatory requirements.
- (i) To consider whether the independent auditors provision of non-audit services is compatible with maintaining the independent auditors independence.
- (j) To review the co-ordination of the audit approaches where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors.
- (k) Identify any matters in respect of which it considers that action or improvement is needed and reviewing recommendations as to the steps to be taken.

#### 1.4.4 **Internal Audit**

- (a) To review the adequacy of the scope, functions, competency and resources of the internal audit function.
- (b) To approve the internal audit plan and review, the results of the internal audit plan or investigation undertaken and whether or not

appropriate action is taken by management on the recommendations of the internal auditors function.

- (c) Have final authority to review and approve the Annual Audit Plan and all major changes to the plan.
- (d) The Head of Internal Auditor shall report directly to the Committee and shall have direct access to the Chairman of the Committee.
- (e) To appraise the performance of the Head of Internal Audit and to review the appraisals of senior staff members of the internal audit function.

#### 1.4.5 **Compliance**

- (a) Review the effectiveness of the system for monitoring compliance with laws and regulations and the result of management's investigation and follow-up (including disciplinary action) of any major instances of non-compliance.
- (b) Review procedures established to address allegations raised by whistleblowers, to ensure proportionate and independent investigation is conducted and follow-up action is taken and highlighted to the Committee.
- (c) Review the findings of any examination by regulatory agencies and any auditor's observations.
- (d) Review the process for communicating the Code of Conduct to the staff, and for monitoring compliance therewith.
- (e) Review the effectiveness of measures put in place to combat corruption in the Company.

### 1.5 **Conduct of Meetings**

#### **Number of Meeting and Quorum**

Meetings shall be held at least four (4) times a year with a minimum quorum of two (2) members and the majority of members present shall be Independent Non-

Executive Directors. Additional meetings may be called at any time at the discretion of the Chairman of the Committee.

In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting, who shall be independent Non-Executive Directors from amongst the members present.

### **Attendance of Meetings**

The Committee may invite the Head of Internal Audit, representatives of the external auditors, the chief financial officer, any other Directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.

At least once a year, the Committee shall meet with the external auditors without any Executive Board member present. The Chairman of the Committee would be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the listed issuer, whenever deemed necessary.

## **1.6 Secretary of the Committee and Minutes**

- (a) The Company Secretary shall be the Secretary of the Committee.
- (b) The agenda and relevant papers for the committee meeting must be issued at least five (5) days prior to each of the committee meeting.
- (d) The minutes of each Committee meeting shall be tabled to the Board by the Chairman of the Committee.
- (e) The discussion and conclusions of the committee meeting shall be minuted in a clear, accurate, consistent, complete and timely manner.

## **1.7 Reporting Procedures**

- 1.7.1. The Committee shall prepare an annual report to the Board that provides a summary of the activities of the Committee for inclusion in the Company's annual report.



1.7.2 The Committee shall assist the Board in preparing the following for publication in the Company's annual report:-

- (a) Statement on the Company's application of the principles set out in the Malaysian Code on Corporate Governance;
- (b) Statement on the extent of compliance with the Best Practices in Corporate Governance set out in Part 2 the Malaysian Code on Corporate Governance specifying reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas;
- (c) Statement on the Board's responsibility for preparing the annual audited accounts; and
- (d) Statement about the state of risk management and internal control of the Group.

1.7.3 The Committee may report any breaches of the Listing Requirements, which have not been satisfactorily resolved, to the Bursa Malaysia Securities Berhad.

## **1.8 Revision of Terms of Reference**

Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third parties, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision/amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised/amended.

## **2.0 APPROVAL**

**2.1** This Terms of Reference was reviewed and approved by the Board of Directors on 21 February 2019.

**21 February 2019**