



富佳木業有限公司

FOCUS LUMBER BERHAD (188710-V)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

A. Composition of Audit Committee

- (1) The Audit Committee shall be appointed by the Board from amongst the Directors of the Company which fulfils the following requirements:-
 - (a) the Audit Committee must be composed of not fewer than three (3) members;
 - (b) all the Audit Committee members must be non-executive directors, with a majority of them being independent directors;
 - (c) at least one (1) member of the audit committee:-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
 - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the association of accountants specified in Part II of 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
 - (d) no alternate director shall be appointed as an Audit Committee member;
- (2) In the event of any vacancy in an Audit Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months.
- (3) The member of the Audit Committee shall elect a Chairman among themselves who shall be an Independent Director.

The Chairman of the Audit Committee should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

- (4) All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether the Audit Committee has carried out its duties in accordance with its terms of reference.

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B. Secretary of the Audit Committee

The Company Secretaries of the Company or such substitute as appointed by the Directors from time to time shall act as the secretary of the Audit Committee during the term of his/her appointment.

C. Duties and Responsibilities of Audit committee

The main duties and responsibilities of the Audit Committee shall be:-

- (1) to review the external auditor's audit plan, evaluation of system of internal control and audit report and report the same to the Board of Directors;
- (2) to consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- (3) to discuss with the external auditor before the audit commence, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (4) to ensure reliability of the financial statements and its compliance with applicable financial reporting standards;
- (5) to review the quarterly and year-end financial statements of the board, focusing particularly on:-
 - (a) any change in accounting policies and practices;
 - (b) significant adjustments arising from the audits;
 - (c) the going concern assumption; and
 - (d) compliance with accounting standards and other legal requirements.
- (6) 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);
- (7) to review the external auditors' management letter and management's responses;
- (8) to perform the following, in relation to the internal audit function:-
 - (a) review the adequacy of the scope, functions, resources and competency of the internal audit function, and that it has the necessary authority to carry out its work;
 - (b) review the internal audit programme and results of the internal audit programme, process or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;

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- (c) review any appraisal or assessment of the performance of members of the internal audit function;
 - (d) approve any appointment or termination of senior staff members of the internal audit function;
 - (e) take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning; and
 - (f) ensure the internal audit function is independent of the activities it audits and the internal audit function reports directly to the Audit Committee.
- (9) 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 raise questions of management integrity;
- (10) to provide an opinion on the effectiveness of the related system of risk management and internal control in managing the significant risks, including exception reporting on significant risk management and control failures or weaknesses, which have a material impact on the Company's financial position;
- (11) to consider the major findings of internal investigations and management's response;
- (12) to review and monitor the suitability of the External Auditor;
- (13) to carry out an annual review of the performance of the External Auditor, including assessment of suitability and independence of External Auditor in the performance of their obligations as External Auditors; and
- (14) to consider other topics as defined by the board.

D Rights of the Audit Committee

In performing of its duties and responsibilities, the Audit Committee shall:-

- (1) have the authority to investigate any matter within its terms of reference;
- (2) have the resources which are required to perform its duties;
- (3) have full and unrestricted access to any information pertaining to the Company;
- (4) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (5) be able to obtain independent professional or other advice at the expense of the Company and to invite outsiders with relevant experience and expertise to attend the Audit Committee meetings (if required) and to brief the Audit Committee; and



- (6) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

E. Procedure of Committee Meetings

(1) **Frequency of Meetings**

The Audit Committee will meet at least four (4) times in each financial year although additional meetings may be called at any time, at the discretion of the Chairman of the Audit Committee.

(2) **Calling**

Any member may at any time, and the financial controller and the Secretary shall on the requisition of any of the member or the external auditors, summon a meeting.

The Audit Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the Audit Committee members as a whole to participate for the entire duration of the meeting, and that all information and documents for the meeting must be made available to all members prior to or at the meeting. A minute of the proceedings of such meeting is sufficient evidence of the proceedings to which it relates.

(3) **Notice**

Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the member either personally or by fax or by post or by courier or by e-mail to his registered address as appearing in the Register of Directors, as the case may be.

(4) **Quorum**

The quorum shall consist of a majority of independent directors and shall not be less than two.

(5) **Attendance**

The financial director, the head of internal audit and a representative of the external auditors should normally attend the meetings. Other board members may attend meetings upon the invitation of the Audit Committee. However, the committee should meet with the external auditors and internal auditors or both without executive board members present at least twice a year.

(6) **Voting**

A resolution put to the vote of the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote.



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(7) **Keeping of Minutes**

Minutes of each meeting shall be signed by the Chairman of the meeting at which the proceedings were held and kept as part of the statutory record of the Company upon confirmation by the Board and a copy shall be distributed to each member of the Audit Committee.

(8) **Custody, production and inspection of such minutes**

The minutes shall kept by the Company at the Registered Office or the principal place of business in Malaysia of the Company, and shall be open to the inspection of any member of the committee without charge.

*****END*****

(revised on 16 March 2016)