



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 whom, must be independent directors;
  - (c) All members of the Committee should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.
  - (d) 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 1<sup>st</sup> 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 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
  - (e) 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 shall not be the Chairman of the Board.

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) Any former key audit partners must have observed a cooling-off period of at least 2 years before one is eligible for appointment as an Audit Committee member.

---

**Registered Office:** Mile 3, Jalan Masak, Kampung Ulu Patikang, Locked Bag 13 SM-88, 89009 Keningau, Sabah, Malaysia  
Tel: 087-334761/4/6, 335457/8 Fax: 087-335459 Email: focuskgu@focuslumber.com.my

**Branch Office:** 12A, Jalan Teluk Likas, P. O. Box 576, 88856 Kota Kinabalu, Sabah, Malaysia  
Tel: 088-393255/ 393257/ 393258 Fax: 088-393169 Email: focuskk@focuslumber.com.my



- (5) 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 annually to determine whether the Audit Committee has carried out its duties in accordance with its terms of reference.

**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 and make recommendation to the Board in relation to the nomination, appointment, re-appointment, resignation and removal 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 changes in or implementation of major accounting policy ;
  - (b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - (c) 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 without the presence of the Executive Directors and management.
- (7) to review the external auditors' management letter and management's responses;
- (8) to review the assistance given by the employees of the company and the company to the External Auditor;



- (9) to review any letter of resignation from the External Auditors of the company;
- (10) to perform the following, in relation to the internal audit function:-
  - (a) review the adequacy of the scope, 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 plan, processes and the results of the internal audit assessments investigation undertaken and whether or not appropriate actions are taken on the recommendations;
  - (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.
- (11) 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;
- (12) 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;
- (13) to consider the major findings of internal investigations and management's response;
- (14) 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;
- (15) to review whether there is reason (supported by grounds) to believe that the company's External Auditors is not suitable for re-appointment; and
- (16) 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**

(i) 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.

(ii) 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 auditor, 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.

(iii) Notice

Except in the case of an emergency, notice of every meeting shall be given in writing to all its members at least five (5) business days before the meeting. A notice of each meeting shall be served to the Audit Committee member either personally or by fax or by post or by courier or by e-mail or other electronic means provided by the Audit Committee.

(iv) Quorum

The quorum shall be two, a majority of independent directors.



富佳木業有限公司

**FOCUS LUMBER BERHAD** (188710-V)

---

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(vx) Resolution

A resolution in writing signed or approved by letter or telefax or other electronic means by the members of a committee who may at the time be present in Malaysia and who are sufficient to forum a quorum, 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 be executed in any number of counterparts, each signed by one or more members of the committee all of which taken together and when delivered to the secretary of the committee shall constitute one and the same resolution.

*(revised on 29 March 2018)*