

EASTLAND EQUITY BERHAD
AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

1. Objectives

The principal objective of the Audit and Risk Management Committee (“ARMC”) is to assist the Board in discharging its responsibilities relating to accounting and reporting practices of the Company and the Group. Towards this end, the ARMC shall:

- a) evaluate the quality of the audits performed by the Internal and External Auditors;
- b) ensure financial statements comply with applicable financial reporting standards;
- c) oversee the Group’s compliance with laws and regulations and ensure observance of fundamental code of conduct;
- d) assess the suitability and independence of Internal and External Auditors;
- e) maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- f) determine the adequacy of the Group's administrative, operating and accounting controls.

2. Composition

The members of the ARMC shall be appointed by the Board from amongst the Independent and Non-Executive Directors and shall consist of not less than three members, the majority of whom are Independent Directors.

At least one member of the ARMC:

- (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 three years of working experience and:
 - (i) he must have passed the examination 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 accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
- (c) fulfils such other requirements as prescribed or approved by the Exchange.

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

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3. Chairman

The Chairman of the ARMC must be an Independent Director. In the absence of the Chairman, the members shall elect any one of the members present at the meeting to be the Chairman of the meeting.

4. Secretary

The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the ARMC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Company Secretary or his/her representative or other appropriate senior officer shall also be in attendance at each ARMC meetings and responsible for keeping the minutes of meetings of the ARMC, and circulating them to committee members and to the other members of the Board of Directors.

5. Quorum

The quorum of the meeting of the ARMC shall be at least two members, a majority of whom must be Independent Directors.

6. Meeting Procedure

At least four meetings shall be convened during a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. The meetings shall be scheduled regularly by the Secretary and due notice shall be distributed to the members before the meeting together with the agenda and supporting papers. The minutes of the meeting shall be recorded for reference and inspection purposes. The Executive Directors, Accountants, representatives of the Internal and External auditors may present in any meeting upon the invitation of the ARMC.

The ARMC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the ARMC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

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7. Authority

The ARMC shall have the following authority:

- (a) to investigate any matters within its terms of reference. All employees of the Group shall co-operate as directed by the ARMC;
- (b) have full and unrestricted access to all information and documents which are required to perform its duties;
- (c) be able to obtain, at the expense of the Company, any other independent professional advice, if required;
- (d) be able to convene meetings with the external auditors, the persons carrying out the internal audit function or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary;
- (e) be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or Listing Requirements has occurred and has not been satisfactorily resolved; and
- (f) have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit function.

8. Functions

The ARMC shall discharge the following duties and responsibilities and report the same to the Board:

8.1. Audit Functions

- (a) to review with the External Auditors:
 - (i) the audit plans;
 - (ii) its evaluation of the systems of internal control;
 - (iii) the audit report;
 - (iv) the assistance given by the employees and the management of the Company and the Group to the External Auditors; and
 - (v) the management letter of the External Auditors and the management's response.

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- (b) to review with the Internal Auditor:
 - (i) the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (ii) the internal audit programmes, processes, the results of the internal audit programmes, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
 - (iii) review any appraisal or assessment of the performance of internal audit function;
 - (iv) approve any appointment or termination of the internal auditors;
 - (v) take cognisance of resignations of internal auditor and provide the resigning internal auditor an opportunity to submit his reasons for resigning;
 - (vi) investigate or cause to be investigated any activity within its Terms of Reference; and
 - (vii) to have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.
- (c) To discuss and review the major findings of any internal investigations and the management's response;
- (d) To ensure the internal audit function is independent of the activities it audits and the internal auditor reports directly to the ARMC. The internal auditor should have the relevant qualifications and be responsible for providing assurance to the ARMC that the internal controls are operating effectively. The internal auditor will be responsible for the regular review and/or appraisal of the effectiveness of the internal control within the Company.
- (e) To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
 - (i) any changes in or implementation of major accounting policies and practices;
 - (ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed; The going concern assumption; and
 - (iii) compliance with accounting standards and other legal requirements;

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- (f) to review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) To nominate and recommend the appointment/ re-appointment of the external auditors, to consider the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors if applicable and report the same to the Board. In considering the appointment/ re-appointment of the external auditor, to consider among others:-
 - (i) the adequacy of the experience and resources of the accounting firm;
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm's audit engagements;
 - (iv) the size and complexity of the listed issuer's group being audited; and
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit;
- (h) to review and monitor the suitability and independence and evaluate the performance of the External Auditors for re-appointment;
- (g) 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;
- (h) to obtain written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
- (i) to discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditors may wish to discuss (in the absence of management where necessary);
- (j) to review and report such other matters as may be delegated by the Board from time to time.

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8.2. Risk Management Functions

- (a) to review the adequacy of Company's risk management framework, monitor principal risks that affect the Company and evaluate risk management and mitigation measures in place;
- (b) to assess the adequacy and effectiveness of the risk management process, system of internal controls and accounting control procedures of the Company;
- (c) to review the statement with regard to the state of risk management and internal controls of the Company for inclusion in the Annual Report and report the same to the Board;and
- (d) communication and monitoring of risk management results to the Board.

9. Retirement and Resignation

In the event of any vacancy in the ARMC (including Chairman) resulting in the non-compliance of item 2 above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within 3 months of that event.

The Board of Directors must via Nomination Committee review the term of office and performance of the ARMC and each of its members annually to determine whether the ARMC and members have carried out their duties in accordance with its Terms of Reference.

10. Term of Office

At least once in every three year, the Nomination Committee must review the term of office, performance of the ARMC and each of its member to determine whether the ARMC and its members carried out their duties in accordance with their terms of reference.

11. Non-Audit Services

To discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed. The contracts cannot be entered into should include:-

- a) Management consulting;
- b) Strategic decision;
- c) Internal audit; and
- d) Policy and standard operating procedures documentation.

In the event that the non-audit fees paid to the Company's External Auditors, or a firm or corporation affiliated to the External Auditors' firm are significant (eg. constitute 50% of the total amount of audit fees paid to the Company's External Auditors) the Company is required to state the details on the nature of non-audit services rendered in the ARMC Report.