

**FOCUS LUMBER BERHAD**  
**Registration No. 198901011405 (188710-V)**  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**A. Composition of Audit Committee**

- (1) The Audit Committee ("AC") shall be appointed by the Board from amongst the Directors of the Company which fulfils the following requirements:-
- (a) the AC shall comprise no fewer than three (3) members;
  - (b) all members of the AC must be non-executive directors, with a majority of whom, must be Independent Directors;
  - (c) all members of the AC should be financially literate and are able to understand matters under the purview of the AC including the financial reporting process.
  - (d) at least one (1) member of the AC:-
    - (i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
    - (ii) if he is not a member of the MIA, 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 member of the AC.
- (2) In the event of any vacancy in the AC resulting in the non-compliance of the above, the Board shall take steps to fill the vacancy within three (3) months of that event.

- (3) The members of the AC shall elect a Chairman among themselves who shall be an Independent Director. The Chairman of the AC shall not be the Chairman of the Board.

The Chairman of the AC should engage on a continuous basis with senior management, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Company.

- (4) No former partner of the external audit firm of the Company shall be appointed as a member of AC before observing a cooling-off period of at least three (3) years. This apply to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc).
- (5) All members of the AC, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board via Nomination Committee shall review the term of office and performance of the AC and each of its members annually to determine whether the AC has carried out its duties in accordance with its terms of reference.

#### **B. Secretary of the AC**

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 AC during the term of his/her appointment.

#### **C. Duties and Responsibilities of AC**

The main duties and responsibilities of the AC 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;
- (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 Auditors the nature and scope of the audit, and ensure co-ordination where more than one (1) audit firm is involved before the audit commences;
- (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 Company, 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 External Auditors 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 to the External Auditors;
- (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 the internal audit function;
  - (d) approve any appointment or termination of senior staff members of the in-house/ internal audit function;
  - (e) take cognizance of resignations of in-house/ 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 AC.

- (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 Auditors, including assessment of suitability and independence of External Auditors 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 carry out any other function that may be mutually agreed upon by the AC and the Board.

**D. Rights of the AC**

In performing of its duties and responsibilities, the AC 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 AC meetings (if required) and to brief the AC; 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 AC will meet at least four (4) times annually or more frequently as circumstance may dictate.

(ii) Calling

Chairman of AC may call for additional meetings at a request by any AC members, the Managing Director or the Internal Auditors or External Auditors.

The AC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the AC members as a whole to participate for the entire duration of the meeting. The technology to be used for the purpose of this paragraph must enable each AC member taking part in the meeting to communicate simultaneously with each of the other AC members and may include telephone, video conferencing, or any other audio and/or visual device which permits instantaneous communication, All information and documents for the meeting must be made available to all AC 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

The Secretary, in conjunction with the Chairman, shall draw up an agenda of the meeting. Except in the case of an emergency, notice of every meeting and relevant board papers shall be circulated to all its members at least five (5) business days before the meeting. A notice of each meeting shall be served to the AC member either personally or by fax or by post or by courier or by e-mail or other electronic means as determined by the AC.

(iv) Quorum

The quorum for a meeting shall be two (2) members, both are Independent Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

(v) Virtual meeting

A virtual meeting shall be deemed to constitute an AC meeting provided the following conditions are met:

- (a) all the AC members for the time being entitled to receive notice of the AC meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and
- (b) an AC member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously expressly notified the Chairman of his/her intention to leave the meeting and an AC member shall be conclusively presumed to have been present and to have

formed part of the quorum at all times during such a meeting until such notified time of his/her leaving the meeting.

The main venue of the AC meeting shall be the place where the Chairman is present at the AC meeting.

(v) Attendance

The Financial Controller, representatives from the External Auditors and Internal Auditors should normally attend the meetings. Other board members may attend meetings upon the invitation of the AC. However, the AC should meet with the External Auditors and Internal Auditors or both without the presence of the executive board members and management 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 AC.

(viii) Custody, production and inspection of such minutes

The Minutes shall be kept by the Company at the Registered Office or the principal place of business of the Company in Malaysia and shall be accessible for the inspection by members of the AC without charge.

(vx) Resolution

A resolution in writing signed or approved by letter or telefax or other electronic means by all members of the AC who may at the time be present in Malaysia and who are sufficient to form 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 AC all of which taken together and when delivered to the Secretary of the AC shall constitute one and the same resolution.

*(revised on 19 November 2021)*