

**ORIENTAL INTEREST BERHAD (Company No. 272144-M)**  
**REVISED TERMS OF REFERENCE OF THE AUDIT COMMITTEE AND RISK**  
**MANAGEMENT**  
**(Revision Date: 17 August 2018)**

The Audit Committee and Risk Management (“ARMC”) is governed by the Terms of Reference as stipulated below.

## **1.0 OBJECTIVES**

The ARMC shall assist the Board:

- (a) in complying with specified accounting standards and required disclosure as administered by Bursa Securities, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- (b) in presenting a balanced and understandable assessment of the Company's position and prospects;
- (c) in establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors; and
- (d) in maintaining a sound system of internal controls and risk management to safeguard shareholders' investment and the Company's assets.

## **2.0 POWERS**

In carrying out its duties and responsibilities, the ARMC shall have the following rights:

- (a) the explicit authority to investigate any matter within its Terms of Reference;
- (b) access to the resources which are required to perform its duties;
- (c) full, free and unrestricted access to any information, records, properties and personnel of the Company;
- (d) direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) ability to obtain independent professional or other advice at the Company's costs, and to invite external parties with relevant experience to attend the ARMC meetings, if required, and to brief the ARMC thereof;
- (f) ability to convene meetings with external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary;;
- (g) promptly report to Bursa Malaysia Securities Berhad (“Bursa Securities”) where a matter reported by the ARMC to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements (“MMLR”) of Bursa Securities;

- (h) the attendance of any particular ARMC meeting by other Directors and employees of the Company shall be at the ARMC's invitation and discretion, and specific to that relevant meeting only.

### **3.0 COMPOSITION**

- (a) The ARMC must comprise at least three members, comprise solely of Independent Directors.
- (b) At least one member must be a member of the Malaysian Institute of Accountants or a person who fulfills the requirements as stated in the MMLR of Bursa Securities.
- (c) The Chairman must be independent. The Chairman of the ARMC is not the Chairman of the Board.
- (d) No alternate Director shall be appointed as a member of the Audit Committee.
- (e) In the event of any vacancy resulting in non-compliance of the minimum of three members and the election of an independent chairman, the Board shall upon the recommendation of the Nominating Committee, appoint such number of Directors to fill up such vacancy within three (3) months of the event .

All members of the ARMC, including the Chairman, will hold office only so long as they serve as Directors of the Company. A former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC.

All members of ARMC should be financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process.

The Board must review the term of office and performance of the ARMC, and each of its members annually to determine whether the ARMC has carried out its duties in accordance with its Terms of Reference.

### **3.0 SECRETARY OF THE ARMC**

The Secretary of the Company shall be the Secretary of the ARMC.

### **4.0 DUTIES AND RESPONSIBILITIES**

#### External Audit

- (a) Nominate and recommend the external auditors for appointment, to consider the adequacy of experience, resources, audit fee and any issue regarding resignation or dismissal of the external auditors;
- (b) Review with the external auditors, the nature, scope and plan of the audit before the audit commences and report the same to the Board;

- (c) Ensure co-ordination if more than one audit firm is involved in the audit;
- (d) Review with the external auditors, their audit report and report the same to the Board;
- (e) Review with the external auditors, their evaluation of the system of internal controls and report the same to the Board and risk management;
- (f) Review the assistance given by the employees of the Company to the external auditors and report the same to the Board;
- (g) Review any letter of resignation from the external auditors and report the same to the Board;
- (h) Review whether there is reason, supported by grounds, to believe that the external auditors are not suitable for reappointment and report the same to the Board;
- (i) Assess the suitability, objectivity and independence of the external auditor;
- (j) Discuss problems and reservations, if any, arising from the interim and final audits, and any matter which the external auditors wishes to discuss in the absence of the Management, where necessary;
- (k) Discuss and review the external auditor's management letter and management response (if any);
- (l) Discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.

Internal Audit

- (a) Review and report the same to the Board on the adequacy of the scope, budget and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (b) Review and report the same to the Board on the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken, and whether or not appropriate action is taken on the recommendations;
- (c) Ensure that appropriate action is taken on the recommendations of the internal auditors, where necessary;
- (d) Review the assistance and co-operation given by the employees of the Company to the internal auditors;
- (e) Review any appraisal or assessment of the performance of the internal auditors;
- (f) Approve any appointment or termination of the internal auditors; and

- (g) Review any letter of resignation of internal auditors and request the resigning firm to submit its reasons for resigning.

**Risk Management**

- (a) Review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employee involved in the risk management process;
- (b) Review the effectiveness of internal control systems deployed by the Management to address those risks;
- (c) Review and recommend corrective measures undertaken to remedy failings and/or weaknesses;
- (d) Review and further monitor principal risks that may affect the Group directly or indirectly that if deemed necessary, recommend additional course of action to mitigate such risks;
- (e) Communication and monitoring of risk assessment results to the Board; and
- (f) Actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting the Company.

**Others**

- (a) Prior to the approval of the Board, review the quarterly and year-end financial statements and report the same to the Board, focusing particularly on:
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - (iii) compliance with accounting standards and other legal requirements;
- (b) Review any related party transaction and conflict of interests situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity and report the same to the Board;
- (c) Discuss and review the major findings of any internal investigations and the Management's response;
- (d) Review the statement with regard to the state of internal controls and risk management of the Group for inclusion in the Annual Report and report the same to the Board;
- (e) Oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance;

- (f) Submit recommendations, where necessary, to the Board for approval;
- (g) Perform any other work that it is required or empowered to do by statutory legislation or guidelines as prepared by the relevant government authorities; and
- (h) Consider other topics as defined by the Board.

## 5.0 COMMITTEE MEETINGS

- (a) The minimum number of ARMC meetings to be held in a financial year is 4 meetings. Additional meetings may be called at any time, at the discretion of the Chairman of the ARMC.
- (b) The Managing Director and other appropriate officer(s) may be invited to attend where their presence are considered appropriate as determined by the ARMC Chairman.
- (c) The internal auditors have the right to appear and be heard at any meeting of the ARMC and are recommended to attend each ARMC meeting.
- (d) Upon the request of the internal auditors and/or external auditors, the ARMC Chairman shall also convene a meeting of the ARMC to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- (e) Other Board members, employees of the Company and representatives of the external auditors may attend meetings upon the invitation of the ARMC.
- (f) The ARMC shall meet at least twice a year with the external and internal auditors without the presence of executive Board members and the Management.
- (g) The ARMC shall meet regularly, with due notice of issues to be discussed and shall record its conclusions accordingly.
- (h) The Company Secretary or his/her representative shall be in attendance at each ARMC meeting and record the proceedings of the meeting thereat.
- (i) The quorum for a meeting shall be two members of the ARMC.
- (j) Subject to paragraph (a) above, in appropriate circumstances, 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.

## **6.0 CHAIRMAN OF THE COMMITTEE**

The duties and responsibilities of the Chairman of the ARMC are to

- (a) Steer the ARMC to achieve the goals it sets;
- (b) Consult the Secretary of the Company for guidance on matters related to the ARMC's responsibilities under the applicable rules and regulations, to which they are subject;
- (c) Organise and present the agenda for ARMC meetings based on input from members of the ARMC for discussion on matters raised;
- (d) Provide leadership to the ARMC and ensure proper flow of information to the ARMC by reviewing the adequacy and timing of documentation;
- (e) Ensure that all members are encouraged to play their role in its activities;
- (f) Ensure that consensus is reached on every ARMC resolution and where considered necessary, call for a vote;
- (g) Manage the processes and working of the ARMC and ensure that the ARMC discharges its responsibilities without interference from the Management; and
- (h) Engage on a regular basis with senior management, the internal and external auditors in order to be kept informed of matters affecting the Company.

## **7.0 ARMC MEMBERS**

Each ARMC member shall be expected to:

- (a) Provide individual external independent opinions to the fact-finding, analysis and decision making process of the ARMC;
- (b) Consider viewpoints from the other ARMC members in making decisions and recommendation for the best interest of the Board collectively;
- (c) Keep abreast of the latest corporate governance guidelines in relation to the ARMC and the Board as a whole; and
- (d) Continuously seek out best practices in terms of processes utilised by the ARMC, following which these should be discussed with the rest of the ARMC members for possible adoption.

## **8.0 DISCLOSURE**

The ARMC is required to prepare an Audit Report at the end of each financial year to be included and published in the Annual Report of the Company. The ARMC Report shall include the following:

ORIENTAL INTEREST BERHAD (Company No. 272144-M)  
REVISED TERMS OF REFERENCE OF THE AUDIT COMMITTEE AND RISK MANAGEMENT  
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- (a) Composition of the ARMC, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- (b) Number of ARMC meetings held during the financial year and details of attendance of each ARMC member;
- (c) Summary of the work of the ARMC in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities; and
- (d) Summary of the work of the internal audit functions.

The ARMC shall assist the Board in making the following additional statements in the Company's Annual Report:

- (a) Statement explaining the Board's responsibility for preparing the annual audited financial statements of the Group; and
- (b) Statement about the state of internal controls and risk management of the Group.

## **9.0 REVISION OF THE TERMS OF REFERENCE**

- (a) Any revision or amendment to this Terms of Reference, as proposed by the ARMC or any third party, shall first be presented to the Board for its approval.
- (b) Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.
- (c) Terms of Reference of the ARMC must be made available on the Company's website.