

EASTLAND EQUITY BERHAD

AUDIT AND RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

1.0 OBJECTIVES

The principal objective of the Audit and Risk Management Committee (“ARMC”) is to assist the Board in discharging its oversight responsibilities in ensuring that:

- (a) the Group has a sound risk management and internal control framework to identify, analyse, evaluate, manage and monitor significant risks; and
- (b) the Group uphold the integrity of financial and non-financial reporting.

2.0 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 must be an accountant in accordance with the provisions in Main Market Listing Requirements (“MMLR”). All Members should be financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process.

Former key audit partner shall observe a cooling-off period of at least two years before being appointed as a member of the ARMC.

In the event of any vacancy in an ARMC resulting in the non-compliance of the MMLR, the Board must fill the vacancy within 3 months.

3.0 CHAIRMAN

The Chairman of the ARMC must be an Independent Non-Executive Director and shall be elected from amongst the ARMC members, who shall not be the Chairman of the Board.

The Chairman of the ARMC together with other members ARMC should ensure among others that:

- the ARMC is fully informed about significant matters related to the company’s audit and its financial statements and addresses these matters;
- the ARMC appropriately communicates its insights, views and concerns about relevant transactions and events to Internal and External Auditors;
- ARMC’s concerns on matters that may have an effect on the financial or audit of the company are communicated to the External Auditor; and

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- there is co-ordination between Internal and External Auditors.

4.0 AUTHORITY

The ARMC shall:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the listed issuer;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice;
- (f) be able to convene meetings with the 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 listed issuer, whenever deemed necessary; and
- (g) be able to report to Bursa Securities promptly where a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR.

5.0 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. Other Directors, officers employees, representatives of the Internal and External auditors may present in ARMC meeting only at the ARMC invitation, specific to the relevant meeting.

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.

6.0 QUORUM

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

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7.0 SECRETARY

The Company Secretary or other appropriate senior official shall be the Secretary to the ARMC.

8.0 FUNCTIONS

The Board must ensure that the ARMC discharge the following functions:

8.1 Review the following and report the same to the board of directors of the listed issuer:

- (a) with the external auditor, the audit plan;
- (b) with the external auditor, his evaluation of the system of internal controls;
- (c) with the external auditor, his audit report;
- (d) the assistance given by the employees of the listed issuer to the external auditor;
- (e) the appointment and adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (f) 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;
- (g) the quarterly results and year-end financial statements, before the approval by the board of directors, 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

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- iii) compliance with accounting standards and other legal requirements;
 - (h) any related party transaction and conflict of interests situation that may arise within the listed issuer or group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) resignation of the external and internal auditors of the listed issuer; and
 - (j) whether there is reason (supported by grounds) to believe that the listed issuer's external auditor is not suitable for re-appointment;
- 8.2 Recommend the nomination of a person or persons as external auditors;
- 8.3 Review the internal and external auditors' fees recommended by management;
- 8.4 Review the Group's risk management framework; monitor the identification of principal risks that affect the Group; evaluate the adequacy and effectiveness of the risk management and mitigation measures in place; and review the statement with regard to the state of risk management and internal controls of the Group for inclusion in the Annual Report; and
- 8.5 Prepare an ARMC report detailing:
- (a) the 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) the number of ARMC meetings held during the financial year and details of attendance of each ARMC member;
 - (c) a summary of the work of the ARMC in the discharge of its functions and duties for that financial year of the listed issuer and how it has met its responsibilities; and
 - (d) a summary of the work of the internal audit function.

9.0 SUITABILITY, OBJECTIVITY AND INDEPENDENCE OF EXTERNAL AUDITOR

When assessing the suitability, objectivity and independence of the external auditor, the ARMC shall establish policies and procedures that consider among others:

- the competence, audit quality and resource capacity of the external auditor in relation to the audit;

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- the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
- 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.

The assessment on the suitability, objectivity and independence of the external audit firm should be conducted annually.

10.0 SCOPE OF INTERNAL AUDIT FUNCTION

In developing the scope of the internal audit function, the ARMC should satisfy itself that:

- the person responsible for internal audit has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively;
- internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and
- the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.

11.0 TRAINING AND DEVELOPMENT

Members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

12.0 REVIEW OF ARMC

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.