

**TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE  
("ARMC")**

The 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 risk management and internal controls to safeguard shareholders' investment and the Company's assets.

**2.0 MEMBERSHIP**

- (a) The ARMC must comprise at least three members, consisting wholly non-executive Directors and a majority of whom are independent.
- (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 ACE Market Listing Requirements ("AMLR").
- (c) The Chairman must be independent.
- (d) No alternate Director shall be appointed as a member of the ARMC.
- (e) In the event of any vacancy in the ARMC (including Chairman) resulting in the non-compliance of item 2.0 (a) to (c) above, the Board shall upon the recommendation of the Nomination Committee, fill up the vacancy within three (3) months of that event.

All members of the ARMC, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board must via the Nomination Committee review the term of office and performance of the ARMC, and each of its members, annually to determine whether the ARMC and its members 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 QUORUM AND VOTING**

The quorum for all meetings of the Committee shall not be less than two (2) members, a majority of whom shall be Independent Non-Executive Directors. All meetings shall be chaired by the Chairman; if the Chairman is absent at any meeting, it shall be chaired by another Independent Non-Executive Director.

All resolutions of the Committee shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote.

#### **5.0 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 Chief Executive Officer and/or General Manager and other appropriate officer(s) may be invited to attend where their presence are considered appropriate as determined by the ARMC's Chairman.
- (c) Other Board members, employees of the Company and representatives of the external auditors may attend meetings upon the invitation of the ARMC.
- (d) 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.
- (e) 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.
- (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) 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 AUTHORITY**

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 and internal auditors;

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- (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 and internal auditors, or both, whenever deemed necessary, excluding the attendance of other Directors and employees of the Company;
- (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 AMLR of Bursa Securities; and
- (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.

### **9.0 RESPONSIBILITIES AND DUTIES**

#### External Audit

- (a) Nominate and recommend the appointment/ re-appointment of the external auditors, to consider the adequacy of experience, resources, audit fee and any issue 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:-
  - 1. the adequacy of the experience and resources of the accounting firm;
  - 2. the persons assigned to the audit;
  - 3. the accounting firm's audit engagements;
  - 4. the size and complexity of the Company's group being audited; and
  - 5. the number and experience of supervisory and professional staff assigned to the particular audit;

The AC is to also consider the performance of the external auditor and its independence as below:-

- 1. the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
  - 2. the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
  - 3. whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.
- (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;

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- (e) Review with the external auditors, their evaluation of the system of internal controls and report the same to the Board and 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) 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;
- (j) Discuss and review the external auditor's management letter and management response (if any);
- (k) 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:-
  - (i) Management consulting;
  - (ii) Strategic decision;
  - (iii) Internal audit; and
  - (iv) 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 Audit Committee Report.

### Internal Audit

- (a) Review and report the same to the Board on the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (b) Ensure the internal audit function is independent of the activities its audits and the internal auditors reports directly to the ARMC. The internal auditors should have the relevant qualifications and be responsible for providing assurance to the ARMC that the internal controls are operating effectively. The internal auditors will be responsible for the regular review and/or appraisal of the effectiveness of the internal control within the Company.
- (c) Review and report the same to the Board on the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken, and whether or not appropriate action is taken on the recommendations of the internal audit function;

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- (d) Ensure that appropriate action is taken on the recommendations of the internal auditors, where necessary;
- (e) Review the assistance and co-operation given by the employees of the Company to the internal auditors;
- (f) Review any appraisal or assessment of the performance of the internal auditors;
- (g) Approve any appointment or termination of the internal auditors; and
- (h) Inform itself of the 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. 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;
  - iii. the going concern assumption; and
  - iv. compliance with accounting standards and other statutory requirements.
- (b) Review any related party transactions and conflict of interest situation that may arise within the Company 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 risk management and internal controls 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.

## **10.0 DISCLOSURE**

The ARMC is required to prepare an ARMC 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:

- (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 risk management and internal controls of the Group.

## **11.0 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 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 shall be considered duly revised or amended.