



AUDIT COMMITTEE REPORT

The Board of Directors of Far East Holdings Berhad ("FEHB") is pleased to present the Audit Committee Report for the financial year ended 31 December 2017.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee presently comprises the following Directors:-

Members	Membership	Appointment	Tenure on the Audit Committee (Years)
Encik Hashim Naina Merican bin Yahaya Merican	Chairman, Independent, Non-Executive Director	13.8.2009	8
YH Dato' Tan Bing Hua	Member, Independent, Non-Executive Director	23.7.2012	5
YH Dato' Jamaluddin bin Abd Majid	Member, Non-Independent, Non-Executive Director	18.8.2015	2
Encik Nik Mohamed Zaki bin Nik Yusoff	Member, Independent, Non-Executive Director	8.7.2015	2

There was no alternate Director appointed during the year 2017.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee are as follows:-

- To undertake annual review as well as reassess the adequacy of the Terms of Reference annually.
- To review and verify annually the effectiveness of the Company's Risk Management Program.
- To review the Group's Statement of Internal Control systems prior to endorsement by the Board.
- To ensure prompt publication of annual accounts.
- To review the minutes of other audit committee meetings within the Group to ensure all matters arising are being appropriately addressed.
- To review the audit report with the external auditors.
- To review the quarterly results and year-end financial statements of the Company and the Group.
- To review all related party transactions and any conflict of interest situation that may arise.
- To consider and examine such other matters as the Board consider appropriate and beneficial.
- To perform any other functions as may be agreed upon by the Audit Committee and the Board.
- To recommend to the Board on the appointment and the annual reappointment of the external auditors and their audit fee.
- To review the scope of external auditors' audit plan, their evaluation on internal control systems, their management letter and discuss any matter that the external auditors may wish to raise without the presence of management.
- To obtain explanations from management for unusual variances in the Company's annual financial statements, review annually the independent auditors' letter of recommendations to management and management's response.



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DUTIES AND RESPONSIBILITIES (CONTINUED)

- To review and coordinate the audit approaches where more than one audit firms of external auditors are involved and the co-ordination between the external and internal auditors.
- To ensure that the employees of the Group have given external and internal auditors appropriate assistance in discharging their duties.
- To consider whether the independent auditors provision of non-audit services is compatible.
- To discuss and review with the external auditors any proposal from them to resign as auditors.
- To ensure the adequacy of the scope, functions, competency and resources of the internal audit function.
- To review the internal audit plan, processes, results and implementation of recommendations.
- To appraise the performance of the Head of Internal Audit and to review his function as well as appraisals of senior staff members of the internal audit team.
- To approve appointment, resignation or termination of the Head of Internal Audit and senior staff members of the internal audit.

Purpose

The purpose of the Audit Committee is to assist the Board in fulfilling the following key responsibilities:-

- Assessing the risks and control environment.
- Overseeing financial reporting.

PERFORMANCE OF THE AUDIT COMMITTEE

The appointment of Chairman and members of the Committee had been made in accordance to the Listing Requirements.

The Committee comprises exclusively of Non-Executive Directors, a majority of whom are independent Non-Executive Directors.

The Committee members were informed at the beginning of the year of the number of Audit Committee Meetings scheduled during the year.

The Audit Committee members were given Audit Committee Papers in advance not less than seven (7) days before the scheduled meeting.

Pursuant to the Listing Requirements, the Board had reviewed the term of office and assessed the performance of each member of the Audit Committee appointed for the year based on the recommendation of the Nomination Committee.

The Board is satisfied that the Audit Committee has discharged its duties in accordance with the Terms of References.

ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2017, the Audit Committee held a total of six (6) meetings. Details are as follows:-

No.	1	2	3	4	5	6
Date	27 February 2017	29 March 2017	22 May 2017	16 August 2017	16 November 2017	13 December 2017

The details of attendance of the Audit Committee members are as follows:-

Name of Audit Committee Members	Total Number of Meetings	Number of Meetings Attended
Encik Hashim Naina Merican bin Yahaya Merican	6	6
YH Dato' Tan Bing Hua	6	6
YH Dato' Jamaluddin bin Abd Majid	6	6
Encik Nik Mohamed Zaki bin Nik Yusoff	6	6



Audit Committee Report

SUMMARY OF WORKS OF THE AUDIT COMMITTEE

During the year under review, the Audit Committee has undertaken the following activities:-

- Reviewed the external auditors' audit plan, scope and areas of audits, evaluation of the system of internal controls, audit findings, management letter, management's response and the audit report.
- Reviewed the suitability of the external auditors and recommended to the Board for appointment and the audit fee thereof.
- Reviewed and recommended to the Board for approval on the new clauses in the updated letters of engagement from the external auditors for the Group.
- Reviewed the Company's Financial and General Performance Report in order to ensure that the Board had been provided with sufficient information for announcements to Bursa Malaysia Securities Berhad.
- Reviewed the annual financial statements and quarterly results of the Group for the Board approval.
- Reviewed the policy on recurrent related party transactions (RRPT) of a revenue or trading nature and recommended to the Board for approval, adoption and inclusion in the circular to shareholders in relation to the proposed renewal of shareholders' mandate for RRPT pursuant to the Bursa Malaysia Listing Requirements.
- Reviewed the risk management of the Company, management objectives and policies of the Group and recommended to the Board for approval and adoption.
- Reviewed the results of the Group's internal audit reports and the adequacy of remedial actions taken by the management as recommended in the reports.
- Reviewed and approved the 2018 Internal Audit Plan.
- Reviewed follow-up actions by management on any weaknesses in internal accounting procedures and controls as highlighted by the external and internal auditors.

SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTIONS

The Audit Committee is assisted by the in-house Internal Audit Department in maintaining a sound system of internal controls.

The Internal Audit Department undertakes internal audit functions based on the audit plan that is reviewed and approved by the Audit Committee, which covers the adequacy of financial and operational controls, risk management, compliance with laws and regulations, policies and procedures and management efficiency, amongst others.

Based on the risk assessment exercise results, Internal Audit had reviewed the adequacy of control on the auditable areas/scopes.

Internal Audit had carried out scheduled audit for eleven auditable areas/scopes and also conducted a special review on special incentive for estate workers based on the requests made by the management. All significant issues were highlighted during the audit exit meeting and follow-up on the issues were taken and communicated to the auditees, management and Audit Committee.

An investigative audit was performed in June 2017 after Internal Audit received information from a whistle blower regarding suspicious activities/misconducts performed by certain staff of Sungai Gayung Estate. As a result of the investigative audit, a Domestic Inquiry was held and the previous estate manager was found guilty and his services terminated.

The internal audit reports prepared by the Internal Audit Department are presented to the Audit Committee. The summary of Internal Audit's findings, recommendations and management's responses were also tabled to the Audit Committee to ensure that management undertakes the agreed remedial actions.

Internal Audit Department had adequate resources to carry out its duties during the year 2017. The internal and external auditors had met to discuss on issues pertaining to the principal risks, follow-up actions taken by the management and also scopes/areas of audit to be covered by both parties.