

TECHBOND GROUP BERHAD
201601019667 (1190604-M)

**TERMS OF REFERENCE OF AUDIT &
RISK MANAGEMENT COMMITTEE**

I. PURPOSE

The Board of Directors ("Board") of Techbond Group Berhad ("the Company") has established an Audit & Risk Management Committee ("ARMC" or "Committee") to assist the Board in discharging the following duties and responsibilities as set out in its Terms of Reference:

- (a) Overseeing financial reporting process and ensuring the financial statements of the Company present a true and fair view of the state of affairs of the Company and that they are prepared in accordance with applicable approved accounting standards;
- (b) Reviewing conflict of interest situations and related party transactions to ensure that the transactions carried out are among others, in the best interest of the Company as well as not detrimental to the minority shareholders;
- (c) Monitoring, reviewing, overseeing and assessing the risk management strategy and process and internal control environment within the Group to ensure a sound risk management framework and internal control system are established;
- (d) Evaluating the internal audit processes and quality of audits performed by the internal auditors ("IA") and external auditors ("EA"); and
- (e) Establishing policies and procedures on whistleblowing policy for the Group.

II. COMPOSITION

- 1. The Committee shall consist of at least three (3) members all of whom shall be appointed by the Board amongst its Directors. The Committee shall comprise exclusively of Non-Executive Directors, with a majority being Independent Non-Executive Directors, and fulfils the following requirements:
 - a) The Committee shall have at least one (1) member of the Malaysian Institute of Accountants ("MIA"); or
 - b) If the member of the Committee is not a member of the MIA, he must have at least three (3) years' working experience and:

- i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - c) The member must fulfil such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
2. A former key audit engagement partner of the external auditors of the Company must first observe a cooling-off period of at least three (3) years before he/she being appointed as a member of the ARMC.
 3. The members of the Committee must elect a Chairman among themselves who is not the Chairman of the Board and is an Independent Non-Executive Director.
 4. All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the Committee cease to be a Director of the Company, his membership in the Committee will cease forthwith.
 5. No Alternate Director of the Board shall be appointed as a member of the Committee.
 6. In the event the number of the Committee's members is reduced to below three (3) or the Chairman of the Committee is vacant due to whatever reason, the Board must fill the vacancy within three (3) months from the date of occurrence of event.
 7. The Committee should collectively possess a wide range of necessary skills to discharge its duties. All members of the ARMC should be financially literate and are able to understand matters under the purview of the ARMC, including the financial reporting process.
 8. All members of the ARMC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

III. MEETINGS

1. The ARMC shall meet regularly and hold at least four (4) meetings in a year, and at least once a year, the Committee shall meet with the EA and IA without the presence of the Executive Directors, management and employees. In addition, the Chairman of the Committee may call for additional meetings at any time at his/her discretion.

2. Upon the request of the EA, the Chairman of the Committee must convene a meeting of the Committee to consider any matter the EA believe should be brought to the attention of the Directors or shareholders.
3. Unless in the case of emergency, the notice of the ARMC meetings and meeting materials shall be circulated at least five (5) business days before each meeting to members of the ARMC. The notice of every meeting shall be given in writing and the notice of each meeting shall be served to the member either personally or by fax or e-mail or by post or by courier to his/her address as appearing in the Register of Directors or to the address provided by the ARMC member, as the case may be.
4. The ARMC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables the Committee's members as a whole to participate for the entire duration of the meeting.
5. The Company Secretary or other person appointed by the Board (if any) shall be the Secretary of the Committee.
6. The quorum for the meeting shall be two (2) members and the majority of the Committee's members present must be Independent Non-Executive Directors.
7. The Chairman of the ARMC shall chair the Committee's meetings. If he is not present at any meeting within fifteen (15) minutes of the time appointed for holding the same, the members of the ARMC present shall choose one of their number who shall be an Independent Non-Executive Director to be the chairman of the meeting.
8. Other Directors and employees may attend any particular meetings upon the invitation of the ARMC. The ARMC shall convene meetings with the EA or the IA or both, without the attendance of executive Board members or employees, whenever deemed necessary and such meeting shall be held at least once a year with the EA.
9. Questions arising at any meeting of the ARMC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the ARMC shall have a second or casting vote (except where two (2) members form the quorum).
10. A member of the ARMC shall abstain from discussions or deliberations and voting on the resolution in relation to any matter which gives rise to an actual or perceived conflict of interest situation for him.

11. Minutes of each meeting shall be kept at the registered office and distributed to each member of the ARMC and also to the other members of the Board (provided that there is no conflict of interest and with the agreement of the Chairman) on a set timeline to be agreed between the Chairman of the Committee and the Board.
12. The minutes of the ARMC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
13. A resolution in writing, signed by all members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.
14. Any such document may be accepted as sufficiently signed by a member of ARMC if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the said member.
15. The Committee, through its Chairman, shall report to the Board at the next Board meeting on its proceedings on all matters within its duties and responsibilities after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

IV. POWERS AND AUTHORITY

To facilitate the work of the ARMC, the ARMC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company:

- (a) have the authority to investigate any activity within its terms of reference where all employees shall be directed to co-operate as requested by the ARMC.
- (b) have full and unrestricted access to all information and documents which are required to perform its duties.
- (c) have direct communication channels with the EA and person(s) carrying out the internal audit function or activity as well as all employees of the Group.
- (d) be able to obtain independent professional advice or other advice from any person or firm who has the relevant experience and required expertise and to secure the attendance of those persons if it considers necessary.

- (e) be able to convene meetings with the EA and 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.

Where the ARMC is of the view that the matter reported by them to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the ARMC shall promptly report such matter to Bursa Securities.

V. SCOPE AND FUNCTIONS OF THE COMMITTEE

The Committee shall perform the following scope and functions that have been delegated by the Board and make recommendations to the Board for consideration, as and when necessary.

1. Oversight of financial reporting

- (a) To review the quarterly and year-end financial statements, focusing particularly on:-
 - (i) changes in or implementation of major accounting policies changes;
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant adjustments arising from the audit, significant and unusual events or transactions, the going concern assumption, and how these matters are addressed;
 - (iii) compliance with accounting standards and other legal requirements.
- (b) To report its findings on the financial and management performance, and other material matters to the Board inclusive of resolving any disagreement between management and the EA regarding financial reporting; and
- (c) To report to the Board any suspected frauds or accounting irregularities which are of material importance to warrant Board's attention.

2. Review of conflict of interest situations and related party transactions

- (a) To review any related party transactions, recurrent related party transactions ("RRPT") and conflict of interest situations that may arise within the Company and its group of companies ("Group") including any transactions, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;

- (b) To review and establish whether all RRPT have been carried out in accordance with the mandate approved by the shareholders and are on commercial terms no more favourable to the related parties than those available to the public; and
- (c) To review all non-recurring transactions or corporate proposals involving related parties, to ensure that they are in the best interest of the Company and are not to the detriment of the minority shareholders.

3. Evaluation on external audit

- (a) To recommend to the Board on the appointment and re-appointment of EA and their audit and non-audit fees, after taking into consideration, among others, the following:
 - (i) the suitability, independence and objectivity of the audit firm;
 - (ii) adequacy of the experience and resources of the audit firm;
 - (iii) the accounting firm's audit engagements;
 - (iv) the size and complexity of the Company and its Group being audited; and
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit;

The above assessment should also consider the information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Committee may engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks.

- (b) To discuss with the EA before the audit commences, their audit plan, the nature and scope of the audit and ensure co-ordination between EAs of the Group where more than one audit firm is involved and to report the same to the Board;
- (c) To review with the EA, his evaluation of the system of internal controls and risk management framework of the Group;
- (d) To discuss problems and reservations arising from the interim and final audits, and any matter the EA may wish to discuss (in the absence of management, where necessary);
- (e) To review with the EA, their management letter and management's response, the EA's audit report and the audited financial statements before the same are presented to the Board for approval;

- (f) To approve non-audit services by the Committee before they rendered by the external auditor and its affiliates, while taking into account the nature of the non-audit services and the appropriateness of the level of fees;
- (g) To annually assess the performance of the EA and report to the Board on the independence of the EA, obtaining from the EA their written assurance on their independence and confirmation of their continued registration with the Audit Oversight Board; and
- (h) In the event of removal or resignation of the EA, to look into the reasons thereof, especially when the impending removal or resignation arises from an inability to resolve contentious matters that affect financial reporting.

4. Assessment and evaluation on internal audit

- (a) To review and report to the Board on the adequacy of the scope of work, competency, experience and resources of the internal audit function and the authority granted to the internal audit function to carry out their job;
- (b) To ensure the internal audit function is effective and able to function independently and report directly to the ARMC;
- (c) To review and to report 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;
- (d) To review and ensure that the Group maintains a sound and effective system of internal controls and risk management to safeguard shareholders' interests and the Group's assets;
- (e) To review the Group's management information systems including systems for compliance with applicable laws, directives and guidelines;
- (f) If the internal audit function is performed in-house:
 - i. To approve the appointment or termination of senior staff members of the internal audit function;
 - ii. To take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning; and
 - iii. To review the appraisal or assessment of the performance of the internal audit function and performance of the Head of the IA;

- (g) If the internal audit function is outsourced, to do the following, in relation to the internal audit function:-
 - (i) To review the qualification, independence, reporting structure and performance of the IA,
 - (ii) To review the adequacy of the scope, functions, competency, audit methodology employed and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (iii) To review the results of the internal audit assessments and, where necessary, ensure that appropriate remedial actions are taken on the recommendations of the internal audit function and reporting the same to the Board;
 - (iv) To review the appraisal or assessment of the performance of the internal audit function and performance of the IA;
- (h) In the event of removal or resignation of the IA, to look into the reasons thereof, especially when the impending removal or resignation arises from an inability to resolve contentious matters that affect the internal audit function; and
- (i) To review internal audit's annual budget.

5. Evaluation on risk management

- (a) To review and assess the Group's risk frameworks, policies and tolerance and aligning these to the business objectives of the Group, for approval by the Board;
- (b) To review the effectiveness of the risk management framework established by the Group;
- (c) To ensure the risk management framework adopted is based on an internationally recognised risk management framework;
- (d) To ensure that the risk management framework is able to identify, analyse, assess, manage and monitor significant financial and non-financial risks, in a regular and timely manner;
- (e) To review, monitor and assess the effectiveness of the Group's action plans for the management and control of key risks areas such as cyber security, finance, operations, reputations and sustainability;
- (f) To identify and communicate to the Board the critical risks (present and potential) the Group faces, their profile changes (if any) and the management action plans to manage these risks;

- (g) To conduct an annual review and periodic testing of the Group's internal control and risk management framework; and
- (h) To review reports on significant risk findings and recommendations.

6. Related Party Transactions ("RPT") and RRPT and Conflict of Interest Situation ("COI")

- (a) Establish comprehensive procedures for identifying, evaluating and approving and reporting all RPT, RRPT, and COI situations;
- (b) Review and establish whether all RRPT have been carried out in accordance with the mandate approved by the shareholders and are on commercial terms no more favourable to the related parties than those available to the public; and
- (c) Review all non-recurring transactions or corporate proposals involving related parties, to ensure that they are in the best interest of the Company and are not to the detriment of the minority shareholders.

7. Others

- (a) To periodically review the extent of compliance with established internal policies, standards, plans and procedures including the Code of Conduct and Ethics;
- (b) To periodically review the adequacy and appropriateness of the Group's Whistleblower Policy and Procedures;
- (c) To verify the allocation of Employees' Share Option Scheme ("ESOS") and Employees' Share Grant Scheme ("ESGS") in compliance with the criteria as stipulated in the bye-laws of the ESOS and ESGS of the Company, if any;
- (d) To consider other topics or undertake any other activities as defined by the Board from time to time.

VI. REVIEW OF COMMITTEE

1. The Nominating Committee must review the term of office and performance of ARMC and each of its members at least once a year to determine whether ARMC and its members have carried out their duties in accordance with the Terms of Reference, and thereafter, make recommendations to the Board for consideration.
2. The ARMC shall review its Terms of Reference periodically and may recommend to the Board any changes it considers necessary.

The TOR of ARMC was revised and approved by the Board on 10 October 2023.