

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

1. MEMBERSHIP

The Audit and Risk Management Committee (“the Committee”) shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfills the following requirements:-

- a) the Committee shall comprise at least 3 members;
- b) all members of the Committee must be independent non-executive directors;
- c) the Chairman of the Board shall not be the Chairman of the Committee;
- d) all members of the Committee should be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process. At least one member of the Committee:-
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and:-
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.
- e) No alternate Director of the Board shall be appointed as a member of the Committee.
- f) For engagement of a former key audit partner as member, there is a cooling-off period of at least 2 years before being appointed as member of the Committee.

The members of the Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Committee (including Chairman) resulting in the non-compliance of item 1 (a) to (d) above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within 3 months of that event.

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Only members of the Committee have the right to attend Committee meetings. However, the Managing Director/ Chief Executive Officer/ Chief Financial Officer/ Finance Director, head of internal audit (in-house)/ outsourced internal auditors and external audit lead partner will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

2. OBJECTIVES

The objective of the Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Group comprising the Company and its subsidiaries.

In addition, the Committee shall:-

- a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
- c) Evaluate the internal and external audit processes, including issues pertaining to the internal control within the Group; and
- d) Determine and evaluate the risk management process

3. MEETINGS

The Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least twice a year the Committee shall meet with the external auditors without executive Board members and management present.

In addition, the Chairman may call a meeting of the Committee at the request of any committee member, the Company's Managing Director/ Chief Executive Officer/ Chief Operating Officer, or the internal or external auditors.

The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

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The Company Secretary or his/her representative or other appropriate senior officer shall also be in attendance at each Committee meetings and responsible for keeping the minutes of meetings of the Committee, and circulating them to committee members and to the other members of the Board of Directors.

The quorum for a meeting shall be 2 members of the Committee who are both independent directors.

Attendance at a meeting may be in person or by way of participation via video conference or teleconference or such other means as may be agreed by the members.

By invitation of the Committee, the Managing Director/ Chief Executive Officer/ Chief Operating Officer and other appropriate officer(s) may be invited to attend the Committee, where their presence are considered appropriate as determined by the Committee chairman.

The Committee 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 Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

4. AUTHORITY

The Committee shall, whenever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- 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 Company and Group;
- 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 persons carrying out the internal audit function or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

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The Chairman of the Committee should engage on a continuous basis with senior management, such as the Chairman, the Managing Director/ Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer / Finance Director, the head of internal audit (in-house) / outsourced internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

5. ANNUAL GENERAL MEETING

The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

6. DUTIES

The functions of the Committee are as follows:-

- a) To review the following and report the same to the Board of Directors:-
 - (i) with the external auditors, the audit plan;
 - (ii) with the external auditors, his evaluation of the system of internal controls;
 - (iii) with the external auditor, his audit report;
 - (iv) the assistance given by the Company's employees to the external auditors; and
 - (v) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity and the framework to be established.

- b) To nominate and recommend the appointment/ re-appointment of the external auditors, to consider the adequacy of experience, resources, audit fee and any issues 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:-
 - (i) the adequacy of the experience and resources of the accounting firm;
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm's audit engagements;

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- (iv) the size and complexity of the listed issuer's group being audited; and
- (v) the number and experience of supervisory and professional staff assigned to the particular audit.

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

- (i) 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;
 - (ii) the competence, audit quality and resource capacity of the external auditor in relation to the audit;
 - (iii) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee;
 - (iv) 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; and
 - (v) obtaining written 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.
- c) To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved in the audit;
- d) To review the quarterly and year-end financial statements of the Company, before the approval by 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 legal requirements.

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- e) To discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditors may wish to discuss (in the absence of management where necessary);
- f) To review the external auditor's management letter and management's response;
- g) To review whether there is reason, supported by grounds, to believe that the external auditors are not suitable for re-appointment;
- h) To set policies and procedures to assess the suitability, objectivity and independence of the external auditors.
- i) To ensure that there is a co-ordination between internal and external auditors;
- j) To do the following, in relation to the internal audit function:-
 - Review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work and report the same to the Board;
 - Review the internal audit plan, process, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit function;
 - Approve any appointment or termination of the internal auditors;
 - Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
 - Investigate or cause to be investigated any activity within its Terms of Reference; and
 - To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.
- k) To discuss and review the major findings of any internal investigations and the management's response;

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- l) To ensure the internal audit function is independent of the activities it audits and the head of internal audit (in-house)/ outsourced internal auditors reports directly to the Committee. The head of internal audit (in-house)/ outsourced internal auditors should have the relevant qualifications and be responsible for providing assurance to the Committee that the internal controls are operating effectively. The head of internal audit (in-house)/ outsourced internal auditors will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company;

- m) To 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) Tax services
 - (iv) Internal audit
 - (v) 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 (e.g. 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 and Risk Management Committee Report.

- n) To review the adequacy and effectiveness of risk management and internal control systems within the Group.

- o) To undertake the following risk management activities:-
 - (i) To determine the overall risk management processes;
 - (ii) To establish effectiveness of risk management process;
 - (iii) To ensure that risk management processes are integrated into all core business processes; and
 - (iv) To establish risk reporting mechanism.

- p) To consider other areas as defined by the Board or as may be prescribed by Bursa Malaysia Securities Berhad or any other relevant authority from time to time.

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7. REPORTING RESPONSIBILITIES

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include the number of Committee meetings held during the financial year and details of attendance of each Committee member, summary of the work of the Committee in the discharge of its functions, duties for that financial year and how it has met its responsibilities as well as a summary of the work of the internal audit function.

8. MINUTES

The minutes of meetings of the Committee shall be circulated to all members of the Board. The minutes shall be kept at the registered office of the Company under the custody of the Secretary of the Company and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to the approval of the Committee.

9. REVISION OF THE TERMS OF REFERENCE

Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval.

Upon the Board' 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.