

## **TERMS OF REFERENCE**

### **1. Objectives**

The principal objective of the Audit and Risk Management Committee is to assist the Board in its responsibilities relating to the accounting and reporting practices of the Company and the Group. In addition, the Audit and Risk Management Committee shall:-

- evaluate the quality of the audits performed by the Internal and External Auditors;
- ensure financial statements comply with applicable financial reporting standards;
- oversee compliance with the laws and regulations and ensure observance of a proper code of conduct;
- have policies and procedures to assess the suitability and independence of External Auditors; and
- ensuring that the Management maintains a sound risk management and internal control system in safeguarding shareholders' investment and the Group's assets.

### **2. Composition**

The members of the Audit and Risk Management Committee shall be appointed by the Board from amongst the 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 Audit and Risk Management Committee:

- (a) must be a member of the Malaysian Institute of Accountants (MIA); or
- (b) if he is not a member of MIA, he must have at least three years of working experience and:-
  - (i) he must have passed the examination 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) fulfils such other requirements as prescribed or approved by the Exchange.

No alternate Director shall be appointed as a member of the Audit and Risk Management Committee.

**3. Chairman**

The Chairman of the Audit and Risk Management Committee must be an Independent Non-Executive Director. In the absence of the Chairman, the members shall elect any one of the members present at the meeting to be the Chairman of the meeting.

**4. Secretary**

The Company Secretary shall be the Secretary of the Audit and Risk Management Committee.

**5. Quorum**

The quorum of the meeting of the Audit and Risk Management Committee shall be at least two members, a majority of whom must be Independent Directors.

**6. Meeting Procedure**

At least four meetings shall be convened during a year. The meetings shall be scheduled regularly by the Secretary and due notice shall be distributed to the members before the meeting together with the agenda and supporting papers. The minutes of the meeting shall be recorded for reference and inspection purposes. The Executive Directors, Accountants, representatives of the Internal and External Auditors may be present in any meeting upon the invitation of the Audit and Risk Management Committee.

**7. Authority**

The Audit and Risk Management Committee shall have the authority to do the following:

- (a) to carry out its function within its terms of reference. All employees of the Group shall be directed to co-operate as requested by the Audit and Risk Management Committee;
- (b) have full and unlimited/unrestricted access to all information, documents and resources which are required to perform its duties;
- (c) be able to obtain, at the expense of the Company, any other independent professional advice, if required;
- (d) be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of the Executive Directors and employees of the Company, whenever deemed necessary;
- (e) be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or Listing Requirements of the Bursa Malaysia Securities Berhad has occurred; and
- (f) have direct communication channels with the external auditors and person(s) carrying out the internal audit function.

**8. Functions**

The Audit and Risk Management Committee shall discharge the following duties and responsibilities and report the same to the Board:

- (a) to review with the External Auditors:
- the audit plans;
  - its evaluation of the system of internal controls;
  - the audit report;
  - the assistance given by the employees and the Management of the Company and the Group to the External Auditors; and
  - the management letter of the External Auditors and the Management's response.
- (b) to review with the Internal Auditors :
- the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and
  - the internal audit programmes, processes, the results of the internal audit programmes, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (c) to review the quarterly unaudited financial results and year-end financial statements, prior to the approval of the Board, particularly focusing on:
- changes in or implementation of major accounting policies;
  - 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
  - compliance with approved accounting standards and other legal requirements.
- (d) to monitor any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of Management integrity;
- (e) oversight on the manner in which Management reviews the principal business risks and assessing the appropriateness of the mechanisms in place to identify and minimize business risks;

- (f) the suitability of the system in identifying and reporting on areas of potential business risks;
- (g) to recommend the nomination of a person or persons as External Auditors;
- (h) to consider the appointment, resignation or dismissal of the External Auditors of the Company;
- (i) to review and monitor the suitability and independence and evaluate the performance of the External Auditors for re-appointment; and
- (j) to establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the External Auditors;
- (k) to obtain 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;
- (l) whether the allocation of employees' share option scheme's options at the end of each financial year complies with the criterias which are disclosed to the employees and are in line with the By-Laws; and
- (m) to review and report such other matters as may be delegated by the Board from time to time.

## **9. Retirement and Resignation**

In the event of any vacancy in the Audit and Risk Management Committee resulting in non-compliance of Paragraphs 2 and 3 above, the Company must fill the vacancy within three months.

## **10. Term of Office**

The Nomination and Remuneration Committee must annually review the term of office, performance of the Audit and Risk Management Committee and each of its members to determine whether the Audit and Risk Management Committee and its members carried out their duties in accordance with their terms of reference.

## **11. Reporting**

The Audit and Risk Management Committee shall report to the Board either formally in writing or verbally, as it considers appropriate, on its terms of reference at least once a year, but more frequently as it wishes.

The Audit and Risk Management Committee shall report to the Board any specific matters, as requested by the Board, for investigation.