

TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

1. Composition of Members

The Board appointed the Audit and Risk Management Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. All of the Audit and Risk Management Committee members are independent directors. In this respect, the Board adopts the definition of "independent director" as defined under Bursa Malaysia Securities Berhad ("Bursa Securities") ACE Market Listing Requirements.

All members of the Audit and Risk Management Committee shall be financially literate and at least one (1) member of the Audit and Risk Management Committee must be:-

- (a) a member of the Malaysian Institute of Accountant ("MIA"); or
- (b) if he is not a member of MIA, he must have at least three (3) 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) fulfills such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as member of the Audit and Risk Management Committee.

The term of office and performance of the Audit and Risk Management Committee and each of its members are reviewed by the Board at least once every three (3) years to determine whether such Audit and Risk Management Committee and members have carried out their duties in accordance with their terms of reference.

Retirement and resignation

If a member of the Audit and Risk Management Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 1 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

2. Chairman

The members of the Audit and Risk Management Committee elect a Chairman from amongst their number who is an independent director.

In the absence of the Chairman of the Audit and Risk Management Committee, the other members of the Audit and Risk Management Committee shall amongst themselves elect a Chairman who must be an independent director to chair the meeting.

3. Secretary

The Company Secretary is the Secretary of the Audit and Risk Management Committee and as a reporting procedure, the Minutes are circulated to all members of the Board.

4. Meetings

The Audit and Risk Management Committee meets regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditor, the Chairman of the Audit and Risk Management Committee shall convene a meeting of the Audit and Risk Management Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Notice of Audit and Risk Management Committee meetings are given to all the Audit and Risk Management Committee members unless the Audit and Risk Management Committee waives such requirement.

The Chairman of the Audit and Risk Management Committee shall engage on a continuous basis with senior management, such as the Chief Executive Officer, the Financial Controller, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

The Executive Directors – Finance and Accounts / Head of Finance and Accounts, Chief Financial Officer, a representative of the internal auditors and external auditors normally attend the Audit and Risk Management Committee meetings. Other Board members and employees may attend meetings upon the invitation of the Audit and Risk Management Committee. The Audit and Risk Management Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors. During the current financial year ended 31 December 2016, the Audit and Risk Management Committee complied with this requirement to meet the external auditors without the presence of the executive Board members or employees.

Questions arising at any meeting of the Audit and Risk Management Committee are decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit and Risk Management Committee has a second or casting vote.

5. Minutes

Minutes of each meeting are kept at the registered office and distributed to each member of the Audit and Risk Management Committee and also to the other members of the Board. The Audit and Risk Management Committee Chairman shall report on each meeting to the Board.

The minutes of the Audit and Risk Management Committee meeting are signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

6. Quorum

The quorum for the Audit and Risk Management Committee meeting shall be the majority of members present whom must be independent directors.

7. Objectives

The principal objectives of the Audit and Risk Management Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit and Risk Management Committee shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

8. Authority

The Audit and Risk Management Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company:-

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit and Risk Management Committee.
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (e) where the Audit and Risk Management Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit and Risk Management Committee shall promptly report such matter to Bursa Securities.

9. Duties and Responsibilities

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

- (a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- (b) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) To review with the external auditor his evaluation of the system of internal controls and his audit report;
- (d) To review the quarterly and year-end financial statements of the Board, focusing particularly on –
 - Any change in accounting policies and practices;
 - Significant adjustments arising from audit;
 - The going concern assumption; and

- Compliance with accounting standards and other legal requirements.
- (e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (f) To review the internal and external auditor's management letter and management's response;
- (g) To do the following, in relation to the internal audit function:-
- review 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;
 - review the internal audit programme and results of internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of internal audit function;
 - approve any appointment or termination of the internal auditors; and
 - take cognizance of resignations of the internal auditors and provide the resigning internal auditors an opportunity to submit their reason(s) for resigning.
- (h) To consider any related party transactions 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;
- (i) To report its findings on the financial and management performance, and other material matters to the Board;
- (j) To consider the major findings of internal investigations and management's response;
- (k) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any;
- (l) To determine the remit of the internal audit function;
- (m) To consider other topics as defined by the Board; and
- (n) To consider and examine such other matters as the Audit and Risk Management Committee considers appropriate.