



TECHNA-X BERHAD

Registration No.: 200601012477 (732227-T)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

1. Composition of members

The Board shall appoint the Audit and Risk Management Committee members from amongst themselves, comprising no fewer than three (3) members, all of whom shall be Non-Executive Directors, where the majority shall be Independent Directors.

In this respect, the Board adopts the definition of "Independent Director" as defined under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

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

- (a) shall be a member of the Malaysian Institute of Accountants ("MIA"); or
- (b) if he is not a member of the MIA, he must have at least 3 years of working experience and:
 - i. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - ii. he must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- (c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

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

No former key audit partner is appointed as a member of the Audit and Risk Management Committee without observing a cooling-off period of at least two (2) years.

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 and 2, 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.



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2. Chairman

The members of the Audit and Risk Management Committee shall elect a Chairman from amongst their number who shall be independent Non-Executive Director.

A vacancy resulting in the non-compliance with the requirement on the election of an independent Chairman of the Audit and Risk Management Committee must be filled within three (3) months.

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 Independent Director to chair the meeting.

3. Secretary

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

4. Terms of Office

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

5. Meetings

The Audit and Risk Management Committee shall 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 shall be 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 Chairman, the Executive Directors, the Finance Controller, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.



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The Finance Controller, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit and Risk Management Committee. However, the Audit and Risk Management Committee shall meet with the external auditors without executive Board members present at least twice a year and whenever necessary.

Questions arising at any meeting of the Audit and Risk Management Committee shall be 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 shall have a second or casting vote.

6. Minutes

Minutes of each meeting shall be 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 shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

7. Quorum

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

8. Reporting

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

The Audit and Risk Management Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

9. Circular Resolutions

A resolution in writing signed by a majority of the Audit and Risk Management Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Audit and Risk Management Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Audit and Risk Management Committee members. Any such document may be accepted as sufficiently signed by an Audit and Risk Management Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an Audit and Risk Management Committee member.



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10. Objectives

The principal objectives of the Audit and Risk Management Committee is to assist the Board of Directors 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:

- assess the risk and control environment;
- oversee financial reporting;
- evaluate the internal and external audit process; and
- review conflict of interest situations and related party transactions.

11. Authority

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

- (a) have explicit authority to investigate any activity within its terms of reference. 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 the Group.
- (c) obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers 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.

12. Duties and Responsibilities

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

- (a) To review the quarterly and year-end financial statements of the Board, focusing particularly on: –
 - any change in accounting policies and practices;



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- significant adjustments arising from the audit;
significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (b) 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);
- (c) To review the external auditor's management letter and management's response;
- (d) To do the following, in relation to the internal audit function: -
- review the adequacy of the scope, functions 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 the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (e) To monitor the integrity of the Company's financial statements;
- (f) To report its findings on the financial and management performance, and other material matters to the Board;
- (g) To consider the major findings of internal investigations and management's response;
- (h) 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;



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- (i) To consider the appointment or re-appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- (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 assess and monitor the independence and qualification of the Company's independent auditor;
- (l) To review with the external auditor his evaluation of the system of internal controls and his audit report;
- (m) To monitor the performance of the Company's internal audit function;
- (n) To determine the remit of the internal audit function;
- (o) To review the adequacy and effectiveness of risk management, internal control and governance systems relating to the accounting and reporting practices of the Company;
- (p) 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;
- (q) 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;
- (r) To monitor the Company's compliance with relevant laws, regulations and code of conduct relating to the accounting and reporting practices of the Company;
- (s) To consider other topics as defined by the Board; and
- (t) To consider and examine such other matters as the Audit and Risk Management Committee considers appropriate.