

**UMS-NEIKEN GROUP BERHAD [200401011970 (650473-V)]**

**TERMS OF REFERENCE - AUDIT AND RISK MANAGEMENT COMMITTEE**

**1. Purpose**

The purpose of the Audit and Risk Management Committee ("ARMC") is to assist the Board to fulfil its fiduciary responsibilities relating to risk management and internal controls and in its oversight of the financial and accounting records and policies as well as the integrity of the financial reporting and practices of the Company.

**2. Members**

Chairman

- i) Yau Ming Teck (Independent Non-Executive Director)

Members

- ii) Amirul Azhar Bin Baharom (Independent Non-Executive Director)
- iii) Cheng Siow Chun (Independent Non-Executive Director)

**3. Composition and Membership**

- i) The ARMC shall be appointed by the Board from amongst the members.
- ii) The ARMC shall compose of not less than three (3) members.
- iii) All the ARMC members must be non-executive directors, with a majority of them being Independent Directors and at least one (1) member:-
  - a) must be a member of the Malaysian Institute of Accountants; or
  - b) 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 First 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 First Schedule of the Accountants Act 1967; or
  - c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- iv) No alternate director shall be appointed as a member of the ARMC.
- v) Any person having a relationship which, in the opinion of the Board would interfere with the exercise of independent judgement in carrying out the functions of the ARMC shall not be appointed as an ARMC member.
- vi) The office of ARMC member shall automatically be vacated when he ceased to be a Director of the Company.
- vii) In the event of any vacancy in the ARMC resulting in the non-compliance of items 3(ii), 3(iii) and 4(i), the Company must fill the vacancy within three (3) months.
- viii) In case a former partner of the external audit firm of the Company<sup>1</sup> is being nominated as a member of the ARMC, he shall observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.

---

<sup>1</sup> This applies to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.)

**TERMS OF REFERENCE - AUDIT AND RISK MANAGEMENT COMMITTEE**

- ix) The Nomination Committee of the Company must review the term of office and performance of the ARMC and each of its members annually to determine whether such ARMC and members have carried out their duties in accordance with their terms of reference.
- x) All members of the ARMC should be financially literate.

**4. Chairman**

- i) The Chairman shall be elected by the Committee from amongst their members, who is an Independent Non-Executive Director.
- ii) If the Chairman is not present at a meeting within fifteen (15) minutes after the time appointed for holding the meeting, the members of the Committee may elect one (1) of their numbers to be the chairman of the meeting.
- iii) The Chairman should undertake, amongst others, the following responsibilities:-
  - planning and conducting meetings;
  - overseeing reporting to the Board;
  - encouraging open discussion during meetings; and
  - developing and maintaining active on-going dialogue with Management, the Internal Auditors and the External Auditors.
- iv) The Chairman should engage on a continuous basis with senior Management, such as the Chairman of the Board, the Managing Director/Chief Executive Officer, the Chief Financial Officer, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Company such as the Company's reporting process, internal controls, risk management and governance with the aim to ensure effectiveness and efficiency of the internal control systems and the risk management framework.

**5. Secretary**

The Company Secretary or her nominee shall act as the Secretary of the ARMC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it to the ARMC prior to each meeting.

The Secretary or her nominee shall be in attendance at each ARMC meeting and record the proceedings of the meeting thereat and minute the resolutions.

The Secretary shall also be responsible for keeping the minutes of meetings of the ARMC and circulating them to the ARMC Members. The ARMC Members may inspect the minutes of the ARMC at the Registered Office of the Company.

**6. Meetings**

- i) The ARMC shall meet at least four (4) times in each financial year, or more frequently as circumstances dictate.

**TERMS OF REFERENCE - AUDIT AND RISK MANAGEMENT COMMITTEE**

The ARMC may call for additional meeting as and when required depending on the level of responsibility and complexity of the Group with reasonable notice as the Committee Members deem fit.

- ii) The Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- iii) The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent. The ARMC at which a quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.

If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day, time and place as the members by notice to the other members appoint.

- iv) All decisions at such meeting shall be decided on a show of hands on a majority of votes. The Chairman shall have a casting vote.
- v) Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee based on planned calendar dates. Notice of each meeting confirming the venue, time and date, together with an agenda of items and its supporting papers to be discussed, shall be forwarded to each member of the Committee.
- vi) The Internal Auditors, the External Auditors and Management may attend at any meeting at the invitation of the Committee and shall appear before the Committee when required to do so by the Committee.
- vii) The Internal Auditors and the External Auditors may also request a meeting if they consider it is necessary (and/or believe the matter should be brought to the attention of the Committee and/or the Board) and have the right to appear and be heard at any meeting of the Committee.
- viii) Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities or other authorities, the Committee must promptly report such matter to Bursa Securities or the authority concerned.
- ix) The ARMC shall have the right to meet with the External Auditors without the presence of any Executive Directors and Management.
- x) The ARMC shall have the right to invite other Directors and Management as applicable to participate in the ARMC meetings, as and when necessary, to carry out its responsibilities.
- xi) The Secretary or his/her nominee shall minute the proceedings and resolutions, including the names of all attendees. Draft minutes of meetings of the ARMC shall be circulated promptly to all members of the ARMC. Once approved, minutes should be circulated to all other Directors, unless a conflict of interest exists.

**TERMS OF REFERENCE - AUDIT AND RISK MANAGEMENT COMMITTEE**

- xii) The ARMC may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.
- xiii) Except in the case of an emergency, reasonable notice of every meeting of no later than four (4) days before the date of the meeting shall be given in writing and the notice of each meeting shall be served to the ARMC member either personally or by fax or e-mail or by post or by courier to his/her registered address as appearing in the Register of Directors or to the address provided by the ARMC member, as the case may be.

**7. Resolutions in Writing**

In the event that the ARMC requires matters to be approved by way of a written resolution, a resolution in writing signed or approved by letter or telefax or other electronic means by all members of the ARMC, shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted.

Any such resolution may be executed in any number of counterparts, each signed by one or more members of the ARMC all of which taken together and when delivered to the Secretary shall constitute one and the same resolution.

**8. Duties and Functions**

The main functions and duties of the Committee shall include, but are not limited to the following:-

- a) Ensuring Financial Statements Comply with the Applicable Financial Reporting Standards
  - Review the quarterly financial results, audited financial statements and annual report of the Group and the Company and ensure, amongst others, that it complies with applicable financial reporting standards prior to submission to the Board for consideration and approval.
  - Review any changes in the implementation of major accounting policies and practices, major judgemental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with Listing Requirements of Bursa Securities and other legal requirements.
  - Monitor the integrity of the financial statements of the Company and assess whether the financial report represents a true and fair view of the Company's performance and ensure compliance with the regulatory requirements.
  - Propose best practices on disclosure in the financial statements and the annual reports of the Company, to be in line with the recommendations set out in the Malaysian Code on Corporate Governance and other applicable rules and regulations.

**TERMS OF REFERENCE - AUDIT AND RISK MANAGEMENT COMMITTEE**

- b) Reviewing the Audit Findings of the External Auditors and Assessing the Performance, Suitability and Independence of the External Auditors
- Review the External Auditors' audit plans, its scope of work and nature for the Group.
  - Review the external auditors' findings arising from audits and in particular, responses, appropriate action taken by Management.
  - Review the results of the evaluation of the accounting policies and systems of internal controls within the Group and the assistance given by the officers or the employees of the Company to them, including any difficulties or disputes with Management encountered during the audit.
  - Review the fees and expenses paid to the External Auditors, including fees paid for non-audit services during the year and assess the independence of the external auditors for their re-appointment.
  - Conduct private meetings with the External Auditors without the presence of Executive Directors or employees of the Group to discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss.
  - Review the co-operation and assistance given by Management to the external auditors.
  - Review any letter of resignation from the External Auditors and report the same to the Board.
  - Review whether there is reason (supported by grounds) to believe that the External Auditors is not suitable for re-appointment and recommend the nomination of a person/persons as External Auditor(s).
- c) Reviewing the Audit Findings of the Internal Auditors and Assisting the Board in Reviewing the Effectiveness and Adequacy of Systems of Internal Control in the Key Operation Processes
- Review the internal audit plan and 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.
  - Review and discuss with the Internal Auditors, their audit findings, recommendations made, Management's response to the audit findings and proposed action plans, including those issues arising during the course of audit (in the absence of Management where necessary).
  - Review the effectiveness and efficiency of the internal controls system in place and the risk factors affecting the Company as well as the action plans taken by Management to resolve the issues to ensure adequacy of the internal controls system.

**TERMS OF REFERENCE - AUDIT AND RISK MANAGEMENT COMMITTEE**

d) Risk Management and Internal Control

- Recommend such measures as to be taken by the Board on the effectiveness of the system of internal control and risk management practices of the Group.
- Evaluate the quality and effectiveness of Company's internal control system and management information systems, including in compliance with applicable laws, rules, corporate governance requirements and guidelines.
- Review and recommend to the Board the Directors' Statement on Risk Management and Internal Control and any changes to the said statement.
- Assist the Board in identifying the principal risks, review and assess the effectiveness of the risk management framework and internal control systems based on the reports and recommendations from the internal auditors and report to the Board on its findings.

e) Whistleblowing and Fraud

- Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action; and review the Company's procedures for detecting fraud.
- Cultivate the awareness of the employees and ensure the whistleblower could report directly to the ARMC on any possible wrongdoings or fraud detected.

f) Related Party Transactions

- Review related party transactions entered into by the Group and any conflict of interest situation that may arise within the Group, if any, and ensure that all transactions are at arm's length basis.

g) Overseeing the Governance Practices in the Group

- Review and issue the ARMC Report for inclusion in the Annual Report.
- Review the Statement on Risk Management and Internal Control and Corporate Governance Overview Statement to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.
- Review the minutes of meetings of the ARMC.
- Review the revised Terms of Reference of the ARMC.
- Reviewed any corporate proposals.

**TERMS OF REFERENCE - AUDIT AND RISK MANAGEMENT COMMITTEE**

- h) Share Issuance Scheme (“SIS”) for Employees
  - Review and verify the allocation of options pursuant to the SIS as being in compliance with the criteria for allocation of options under the SIS, at the end of each financial year, if any.

**9. Rights and Authority**

The ARMC shall:-

- i) have explicit authority to investigate any matter within its terms of reference and have the right of direct access to anyone in the Company to conduct a special investigation to be carried out for fraud, violation of code of conduct or an illegal act;
- ii) have the resources which are required to perform its duties;
- iii) have full and unrestricted access to any information pertaining to the Group;
- iv) have direct communication channels with the External Auditors and the Internal Auditors;
- v) have the right to obtain independent professional or other advice and to invite outside experts or advisors such as valuers, or tax consultants with relevant experience and expertise to attend the Committee meetings (if required) and to brief the Committee at the Company’s expense, with prior consent of the Managing Director / Chief Executive Officer to approve the budget;
- vi) have the right to convene meetings with the Internal Auditors and the External Auditors, excluding the attendance of the executive board members, Management or employees of the Group, whenever deemed necessary;
- vii) promptly report to Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board resulting in a breach of the Listing Requirements of Bursa Securities;
- viii) have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise; and
- ix) meet as and when required on a reasonable notice.

**10. Revision and/ or Updates**

The ARMC should recommend any change to the terms of reference in such manner as the ARMC deems appropriate to the Board for approval.

The terms of reference shall be assessed, reviewed and updated where necessary, i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirements of Bursa Securities or any other regulatory requirement that may have an effect on the Committee’s responsibilities.

It shall also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the ARMC's roles and responsibilities.