

G NEPTUNE BERHAD (622237-D)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

1. Composition of the Audit and Risk Management Committee

- 1) The Committee shall be appointed by the Board from amongst their numbers and shall comprise no fewer than three (3) members. All the Committee members must be non-executive directors with a majority of whom shall be independent directors. At least one (1) member must:
 - (i) be a member of the Malaysian Institute of Accountants (“MIA”) or possess such other qualifications and/or experience as approved by Bursa Malaysia Securities Berhad (“Bursa Securities”); or
 - (ii) if he is not a member of the MIA, he must have at least three (3) years of working experiences and:
 - He must have passed the examination specified in Part I of the 1st Schedule of the Accountant Act 1967; or
 - He must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Securities.
- 2) No alternate director shall be appointed as a member of the Committee.
- 3) In the event of any vacancy with the result that the number of members is reduced to below three (3) or there is no Chairman, the vacancy shall be filled within three (3) months. Therefore, a member who wishes to retire or resign should provide written notice of three (3) months to the Company so that a replacement may be appointed before he leaves.
- 4) All the members, including the Chairman, will hold office so long as they serve as Directors of the Company. The term of office and performance of the Committee and each of its members must be reviewed by the Nomination and Remuneration Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
- 5) In case a former key audit partner is being nominated as a member of the Committee, he shall observe a cooling-off period of at least two (2) years before being appointed as a member of the Committee.

2. Chairman

- 1) The Chairman shall be an independent director.
- 2) If the Chairman is not present at a meeting within fifteen (15) minutes after the time appointed for holding the meeting, the members may elect one (1) of their number to be the Chairman of the meeting.
- 3) The role of the Chairman is planning and conducting meetings, 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.
- 4) The Chairman should engage with Senior Management, the internal auditors and the external auditors on a continuous basis 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.

3. Secretary

- 1) The Company Secretary or her nominee shall act as Secretary of the Audit and Risk Management Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary or her nominee shall attend each Committee meeting and record the proceedings of the meeting thereat and minute the resolutions.

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

4. Meetings

- 1) The Committee shall meet at least four (4) times in each financial year.

The Committee may call for a 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.

The Members may participate in a meeting by means of telephone conference, video conference 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.

- 2) The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent. The Committee at which a quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.
- 3) All decisions at such meeting shall be decided on a show of hands and based on a majority of votes. The Chairman shall have a casting vote.
- 4) 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.
- 5) 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.
- 6) 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.

5. Rights of the Audit and Risk Management Committee

The Committee shall:-

- (a) have 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;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the external auditors and the internal auditors;
- (e) 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;
- (f) 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;
- (g) promptly report to Bursa Securities, matters which have not been satisfactorily resolved by the Board resulting in a breach of the listing requirements; and
- (h) meet as and when required on a reasonable notice.

6. Duties and Responsibilities

The Committee, as required by applicable laws, rules, or regulations and otherwise to the extent it deems necessary or appropriate, shall include:-

1) External Audit

- (a) consider the appointment or re-appointment of auditors, the audit fee and any questions of resignation or dismissal or cessation of office or removal, including recommending the nomination of person or persons as auditors to the Board.
- (b) have policies and procedures to assess the suitability, objectivity and independence of External Auditors.
- (c) review with the External Auditors on:-
 - (i) the audit plan, its scope and nature;
 - (ii) the audit report;
 - (iii) the results of their evaluation of the accounting policies and systems of internal controls within the Group;
 - (iv) the assistance given by the officers of the Company to them, including any difficulties or disputes with Management encountered during the audit;
 - (v) management letter and/or major findings of internal investigations and Management's response therein; and
 - (vi) the nature and extent of the non-audit services rendered by the external auditors the appropriateness of the level of fees.
- (d) review with Management:-
 - (i) audit reports and management letter issued by the External Auditors and the implementation of audit recommendations;
 - (ii) interim financial information/report; and
 - (iii) the assistance given by the officers of the Company to the External Auditors.
- (e) discuss with the External Auditors before they commence the nature and scope of the audit and ensure coordination where there are more than one (1) audit firm is involved.

(2) Internal Audit

- (a) discuss problems and reservations arising from interim and final audits, and any matter the internal auditors may wish to discuss (in the absence of Management where necessary).
- (b) 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.

- (c) review the internal audit plan, processes the internal audit reports, recommendations raised, investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (d) oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance.
- (e) review any appraisal or assessment of the performance of members of the internal audit function and be satisfied that the internal audit should be carried out objectively and is independent from Management of the Company and the functions which it audits, and report its findings directly to the Committee.
- (f) approve any appointment, termination or change of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (g) Approve the appointment of an internal audit firm where the internal audit services are outsourced.

(3) Internal Control

- (a) recommend such measures as to be taken by the Board on the effectiveness of the system of internal control of the Group.
- (b) evaluate the quality and effectiveness of Company's internal control system and management information systems, including compliance with applicable laws, rules, corporate governance requirements and guidelines.
- (c) recommend to the Board the Directors' Statement on Risk Management and Internal Control and any changes to the said Statement.
- (d) assist the Board in assessing the effectiveness of the internal control systems based on the reports and recommendations from the internal auditors and report to the Board on its findings.

(4) Risk Management

- (a) oversee and recommend the risk management policies and procedures of the Company;
- (b) review and recommend changes as needed to ensure that the Group has in place at all times a Risk Management policy which addresses the strategic, operational, financial and compliance risks;

- (c) implement and maintain a sound risk management framework which identifies, assesses, manages and monitors the Group's business risks;
- (d) set reporting guidelines for management to report to the Committee on the effectiveness of the Group's management of its business risks;
- (e) review the Group and its subsidiaries' risk profiles and evaluate the measures taken to mitigate the business risks.

(5) Whistleblowing and Fraud

- (a) 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.

(6) Overseeing Financial Reporting

- (a) review and deliberate the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on: –
 - any changes in or implementation of accounting policies and practices;
 - significant or material adjustments with financial impact 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 assumptions;
 - the appropriateness of management's selection of accounting policies and disclosures in compliance with approved accounting standards and other regulatory requirements; and
 - compliance with applicable financial reporting standards.
- (b) monitor the integrity of the financial statements of the Company.
- (c) assess whether the financial report represents a true and fair view of the Company's performance and ensure compliance with the regulatory requirements.
- (d) 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 of Corporate Governance and other applicable rules and regulations.

(7) Reviewing conflict of interests situations and related party transactions

- (a) review and monitor the related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Board reports such transactions annually to the shareholders via the annual report.
- (b) review conflict of interests situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of Management's integrity.

(8) Reporting Responsibilities

- (a) report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) make recommendations to the Board as and when it deems appropriate on any area within its remit where action or improvement is needed.

(9) Other Matters

- (a) report to Bursa Securities, if there is any related party transaction which exceeded the Shareholders' Mandate and provide full reasoning and detailed explanations.

7. Terms of Reference

The terms of reference should be assessed, reviewed and updated at least once every three (3) years by the Committee or as and when there are changes to the Malaysian Code on Corporate Governance and the ACE Market Listing Requirements of Bursa Securities that may have an effect on the Committee's responsibilities

The Committee should recommend any change to the terms of reference to the Board for approval.