

THETA EDGE BERHAD (Co No. 260002-W)

AUDIT AND RISK MANAGEMENT COMMITTEE (ARMC) TERMS OF REFERENCE

1.0 OBJECTIVE

The objective of the ARMC is to assist the Board to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems, including the management information system and systems of compliance with the applicable laws, regulations, rules, directives and guidelines.

2.0 BALANCE AND COMPOSITION

- 2.1 The members of the ARMC are to be appointed by the Board and shall comprise of at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.
- 2.2 None of the members of the ARMC shall be an Alternate Director.
- 2.3 At least two (2) members of the ARMC must be financially literate with sufficient financial experience and ability and at least one (1) member of the ARMC must be an Accountant or have such other qualification as defined by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").
- 2.4 The ARMC shall have a mixture of expertise and experience, including an understanding of the industry(ies) in which the Group operates.
- 2.5 A Member of the ARMC may relinquish his membership in the ARMC with prior written notice to the Company Secretary.
- 2.6 In the event a former audit partner is appointed as a member of the ARMC, the former key audit partner is to observe a cooling-off period of at least two (2) years before being appointed.
- 2.7 In the event of any vacancies arising in the ARMC resulting in non-compliance of Paragraphs 2.1, 2.2 and 2.3 above, the vacancy should be filled within three (3) months of it arising.

- 2.8 The term of office and performance of the ARMC and each of its members shall be reviewed by the Nomination Committee annually to determine whether the ARMC and its members have carried out their duties in accordance with their terms of reference.

3.0 CHAIRMAN

- 3.1 Members of the ARMC shall elect a Chairman from among themselves who is an Independent Non-Executive Director.
- 3.2 In the absence of the Chairman of the ARMC, the other members of the ARMC shall amongst themselves elect a Chairman who must be an independent director to chair the meeting.

4.0 SECRETARY

The Company Secretary shall be the Secretary of the ARMC.

5.0 MEETINGS AND MINUTES

- 5.1 The ARMC shall meet at least four (4) times during a financial year, but additional meetings may be called at any time at the discretion of the Chairman. In order to form a quorum, the quorum for meeting shall be at least two (2) members where a majority of members present must be Independent Directors. 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 person participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- 5.2 The Executive Directors, senior management and internal auditor and a representative of the External Auditors shall normally attend the meetings but may be asked to leave a meeting as and when deemed necessary by the ARMC. Other persons may attend meetings only upon the invitation of the ARMC.
- 5.3 Questions arising at any meeting of the ARMC shall be decided by a majority of votes of the members present. In the case of equality of votes, the Chairman of ARMC shall not have a second or casting vote.
- 5.4 The ARMC shall meet with the External Auditors without the presence of executive board members, management and other employees of the Company at least two (2) times or whenever deemed necessary during a financial year.

- 5.5 The ARMC shall meet with the internal auditor without the presence of the executive board members, management and other employees of the Company whenever deemed necessary.
- 5.6 Minutes of the meetings shall be duly entered into the books provided for the purpose of all resolutions and proceedings of all meetings of the ARMC. The minutes shall be formally tabled to the Board for noting and action.

6.0 CIRCULAR RESOLUTION

A resolution in writing signed by a majority of the ARMC members for the time being 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 consist of several documents in like form signed by one or more ARMC members. Any such document may be accepted as sufficiently signed by a ARMC member if transmitted to the Company by facsimile or other form of electronic, electrical or digital written message to include the signature of the ARMC member.

7.0 AUTHORITY

- 7.1 In carrying out its duties and responsibilities, the ARMC shall, at the expense of the Company:-
- a) have the authority to investigate any activity within its Terms of Reference;
 - b) have full, free and unrestricted access to the Group's records, properties, personnel and other resources;
 - c) have direct communication channels with the external and internal auditors;
 - d) be able to obtain independent professional or other advice in furtherance of its duties; and
 - e) be able to convene meetings with the external auditors, the internal auditors, or both, excluding the attendance of the other Directors and employees, whenever deemed necessary.
- 7.2 The ARMC is not authorised to implement its recommendations on behalf of the Board but shall report its recommendations back to the Board for consideration and implementation.
- 7.3 Where the ARMC is of the view that a matter reported by it to the Board has been not satisfactorily resolved resulting in a breach of the Main Market Listing Requirements, the ARMC is authorised to promptly report such matter to BMSB.

8.0 DUTIES AND RESPONSIBILITIES

- 8.1 To recommend the nomination of a person or persons as External Auditors and to consider the appointment and re-appointment of the External Auditors, the audit fee and any questions of resignation or dismissal of the External Auditors.
- 8.2 To discuss with the External Auditors before the audit commences, the nature and scope of audit, and any other matters as the External Auditors may wish to discuss (without the presence of the management, if necessary).
- 8.3 To review the suitability, objectivity and independence of the External Auditors, and evaluate the performance of the External Auditors for re-appointment.
- 8.4 To act as an intermediary between the management or other employees, and the External Auditors.
- 8.5 To review with the External Auditors the following before reporting the same to the Board:-
 - a) the audit plan;
 - b) evaluation of the system of internal controls;
 - c) their Audit Report;
 - d) the assistance given by the employees of the Company; and
 - e) the management letter and management response.
- 8.6 To review the quarterly results and year-end financial statements before submission to the Board for approval, focusing particularly on:-
 - a) any changes in accounting policies and practices;
 - b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - c) litigation that could affect results materially;
 - d) the going concern assumption; and
 - e) compliance with accounting standards in Malaysia and other legal requirements.

- 8.7 In relation to the internal audit function:-
- a) review the adequacy of the scope, function, competency, experience and resources of the internal audit function, and that it has necessary authority to carry out its work;
 - b) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - c) review the appraisal or assessment of the performance of the head of the internal audit function or the external firms appointed as internal auditors (where applicable);
 - d) review the independence of internal audit function and whether internal audit personnel are free from any relationships or conflicts of interest;
 - e) approve any appointment or termination of senior staff members of the internal audit function;
 - f) review on the appointment of external firms or any changes thereto, to undertake the internal audit function and the related fees; and
 - g) being informed of any resignation of internal audit staff members and to provide the resigning staff member an opportunity to submit his/her reasons for resigning.
- 8.8 To consider and report back to the Board any related party transaction and conflict of interest situation that may arise within the Group including procedure or course of conduct that raises questions of management's integrity.
- 8.9 To consider the major findings of internal investigation and the respective management's responses.
- 8.10 To review and verify the allocation of share options given to the Group's eligible employees is in accordance with the criteria for the employees share option scheme ("ESOS") and the Main Market Listing Requirements of BMSB at the end of each financial year, if any.
- 8.11 To review and consider the appropriateness and adequacy of internal process for risk oversight and management. In particular, the ARMC shall:-
- a) review the Enterprise Risk Profile/Register to ensure comprehensive and effective management key risks;
 - b) review and recommend risk management strategies, policies and risk tolerance limits for Board's approval;
 - c) develop and implement adequate risk assessment, monitoring and management policies and procedures;

- d) ensure the risk management framework is embedded and consistently applied throughout the Group;
- e) review the appropriateness of management response to key risk areas and follow-up on management risk treatment action plans reported by the Risk Working Committee ("RWC");
- f) provide regular reporting and timely update on the operations of the Enterprise Risk Management ("ERM") framework to the Board;
- g) receive regular reports on the risk profile, material risks (both financial and non-financial) faced by the Group and action plans taken by the management to mitigate the risks; and
- h) review the appointment of external firms or any changes thereto, for the provision of governance, risk and compliance advisory services, if deemed required.

8.12 In relation to major business investment proposals and/or feasibility:-

- a) to review and evaluate the viability of the proposal/feasibility study prepared that all risks have been considered and are within the Group's strategic goals; and that action plans or strategies to mitigate identified risks are adequate;
- b) to conduct meetings with the project sponsor(s) and Chief Executive Officer ("CEO"), if necessary, to discuss risk matters related to the proposal; and
- c) to make recommendation to the Board on the appropriate course of action to take.

8.13 To oversee the Group's internal compliance and control systems established by the management, including reviewing the effectiveness of these systems and approving management's programmes and policies to ensure effectiveness.

8.14 To review and recommend the proposed provisions, allowances and/or writing off of assets in excess of RM1,000,000.00

8.15 To recommend the disposal(s) of assets in excess of RM1,000,000.00

8.16 Any other functions as directed by the Board.

Website

The ARMC written terms of reference is made available on the website of the Company at www.theta-edge.com.

This terms of reference is dated 14 March 2019.