

I-STONE GROUP BERHAD
(Company No. 1273151-K)

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

1. MEMBERSHIP

The Audit and Risk Management Committee (“the Committee”) shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfills the following requirements:-

- a) the Committee shall comprise at least 3 members;
- b) all members of the Committee must be non-executive directors;
- c) the Chairman of the Board shall not be the Chairman of the Committee;
- d) all members of the Committee should be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process. At least one member of the Committee:-
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) 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 1st 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 1st Schedule of the Accountants Act, 1967.
 - iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.
- e) No alternate Director of the Board shall be appointed as a member of the Committee.
- f) For engagement of a former key audit partner as member, there is a cooling-off period of at least 2 years before being appointed as member of the Committee.

The members of the Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Committee (including Chairman) resulting in the non-compliance of item 1 (a) to (d) above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within 3 months of that event.

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Only members of the Committee have the right to attend Committee meetings. However, the Managing Director/ Chief Executive Officer/ Chief Financial Officer/ Finance Director, head of internal audit (in-house)/ outsourced internal auditors and external audit lead partner will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

2. OBJECTIVES

The objective of the Committee is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Group comprising the Company and its subsidiaries.

In addition, the Committee shall:-

- a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- b) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
- c) Evaluate the internal and external audit processes, including issues pertaining to the internal control within the Group; and
- d) Determine and evaluate the risk management process

3. MEETINGS

The Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least twice a year the Committee shall meet with the external auditors without executive Board members and management present.

In addition, the Chairman may call a meeting of the Committee at the request of any committee member, the Company's Managing Director/ Chief Executive Officer / Chief Operating Officer, or the internal or external auditors.

The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

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The Company Secretary or his/her representative or other appropriate senior officer shall also be in attendance at each Committee meetings and responsible for keeping the minutes of meetings of the Committee, and circulating them to committee members and to the other members of the Board of Directors.

The quorum for a meeting shall be 2 members of the Committee who are both independent directors.

Attendance at a meeting may be in person or by way of participation via video conference or teleconference or such other means as may be agreed by the members.

By invitation of the Committee, the Managing Director/ Chief Executive Officer / Chief Operating Officer and other appropriate officer(s) may be invited to attend the Committee, where their presence are considered appropriate as determined by the Committee chairman.

The Committee may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

4. AUTHORITY

The Committee shall, whenever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- a) have authority to investigate any matter within its terms of reference;
- b) have the resources which are required to perform its duties;
- c) have full and unrestricted access to any information pertaining to the Company and Group;
- d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- e) be able to obtain independent professional or other advice;
- f) be able to convene meetings with the external auditors, the persons carrying out the internal audit function or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The Chairman of the Committee should engage on a continuous basis with senior management, such as the Chairman, the Managing Director/ Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer / Finance Director, the head of internal audit (in-house) / outsourced internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

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5. ANNUAL GENERAL MEETING

The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

6. DUTIES

The functions of the Committee are as follows:-

- (a) to review the engagement, compensation, performance, qualification and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;
- (b) to review and recommend our quarterly and annual financial statements for approval by our Board before announcement to regulatory bodies, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from our audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (c) to conduct periodic review of the involvements of the Managing Director and Executive Directors in the companies outside of our Group, in which they have executive functions to ensure that it does not affect their role and responsibilities within our Group;
- (d) to review and monitor any related party transaction/business dealings entered into by our Group and any conflict of interest situation that may arise within our Group to ensure that they are conducted on arms' length basis and based on terms that are fair to our Group;
- (e) to oversee and recommend the risk management policies and procedures of our Group;
- (f) to review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which address the strategies, operational, financial and compliance risk;
- (g) to implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;
- (h) to set reporting guidelines for our Management to report to the committee on the effectiveness of our Group's management of its business risks;
- (i) to review the risk profile of our Group and to evaluate the measure taken to mitigate the business risks;
- (j) to review the adequacy of Management's response to issues identified to risk registers, ensuring that our risks are managed within our Group's risk appetite;

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- (k) to perform the oversight function over the administration of whistleblowing policy that is approved and adopted by the Board and to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs;
- (l) to enhance its accountability in preserving its integrity and to withstand public scrutiny which in turn enhances and builds the Group's credibility to all our stakeholders;
- (m) to consider the major findings of internal investigations and Management's response; and
- (n) to perform such other functions as may be requested by our Board.

7. REPORTING RESPONSIBILITIES

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include the number of Committee meetings held during the financial year and details of attendance of each Committee member, summary of the work of the Committee in the discharge of its functions, duties for that financial year and how it has met its responsibilities as well as a summary of the work of the internal audit function.

8. MINUTES

The minutes of meetings of the Committee shall be circulated to all members of the Board. The minutes shall be kept at the registered office of the Company under the custody of the Secretary of the Company and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to the approval of the Committee.

9. REVISION OF THE TERMS OF REFERENCE

Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval.

Upon the Board' approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.