

**YGL CONVERGENCE BERHAD**  
**REGISTRATION NO. 200401010510 (649013-W)**  
**Incorporated in Malaysia**

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

**1. COMPOSITION**

- 1.1 The Audit and Risk Management Committee ("**Committee**") members shall be appointed by the Board of Directors with at least three (3) members, of which all the Committee members must be non-executive directors, with a majority of them being Independent Directors.

The definition of "Independent Directors" shall have the meaning given in Rule 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for ACE Market.

- 1.2 The members of the Committee shall select a Chairman from among its members who shall be an Independent Director.
- 1.3 If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new member as may be required to make up the minimum number of three (3) members.
- 1.4 No former Partner of the external audit firm of the Company shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years. The requirement to observe the cooling-period applies to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consultant etc).
- 1.5 No Alternate Director shall be appointed as a member of the Committee.
- 1.6 The Board shall at all times ensure that the Members should be financially literate and able to understand matters under the purview of the Committee including the financial reporting process and at least one (1) 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 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
  - (iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

**2. AUTHORITY**

- 2.1 The Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost to be borne by the Company: -

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- (i) have explicit authority to investigate any matters within its term of reference;
- (ii) have full and unlimited/unrestricted access to any information and resources/documents which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and its subsidiaries as relevant to its activities from any employee of the Company or the Group and all employees are directed to co-operate with any request by the member of the Committee;
- (iii) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activities (if any);
- (iv) be able to obtain independent professional or other advice in the performance of its duties and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (v) where the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements for ACE Market, the Committee shall promptly report such matter to Bursa Securities.

**3. DUTIES AND RESPONSIBILITIES**

- 3.1 The Committee shall assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and its subsidiaries and the sufficiency of auditing relating thereto.
- 3.2 The duties of the Committee shall include a review of the following and report the same to the Board of Directors of the Company: -
  - (i) with the external auditor, the audit plan and their management letter (if any);
  - (ii) with the external auditor, their evaluation of the internal controls and management information systems;
  - (iii) with the external auditor, their audit report and actions to be taken;
  - (iv) the assistance given by the employees of the Company to the external auditor;
  - (v) to convene meeting with the external auditors without the presence of the Executive Directors and the management of the Company at least twice a year;
  - (vi) to discuss with the Company's management the scope and quality of accounting and financial reporting controls in effect;

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- (vii) to assess the suitability and independence of external auditors, and to recommend their appointment and reappointment, their audit fees and any question of resignation or dismissal;
  - (viii) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particulars on: -
    - a. any changes in or implementation of major accounting policies and practices;
    - b. significant matters highlighted including financial reporting, significant judgements made by management, significant adjustments arising from the audit and how these matters are addressed;
    - c. the going concern assumption;
    - d. significant and unusual events or transaction and how these matters are addressed;
    - e. compliance with accounting standards and other legal requirements; and
    - f. key audit matters that relate to the modified opinion or material uncertainty related to going concern (including steps taken (if any) to address those matters)
  - (ix) any letter of resignation from the external auditors of the Company; and
  - (x) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.
- 3.3 To do the following, in relation to the internal audit function: -
- (i) review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out the work;
  - (ii) review the internal audit programme, process, 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;
  - (iii) review any appraisal or assessment of the performance of members of the internal audit function;
  - (iv) approve any appointment or termination of senior staff members of the internal audit function;
  - (v) take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- 3.4 To review the cost effectiveness, independence and objectivity of the external auditors and recommend for the appointment/re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal of external auditors.

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- 3.5 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.
- 3.6 To establish policies governing the circumstances under which the contract in relation to the provision of non-audit services can be entered into by the Group with its external auditors and procedures that need to be adhered.
- 3.7 To review the adequacy and effectiveness of risk management and internal control systems instituted within the Group.
- 3.8 To consider and examine such other matters as the Board and/or the Committee considers appropriate.
- 3.9 To evaluate the risk assessment processes, its adequacy and effectiveness and measures in place are adequate to minimise any exposures to risks including frauds.
- 3.10 The duties of the Committee in relation to risk management shall include the following and report the same to the Board of Directors of the Company: -
- (i) advise the Board on major matters related to risk management;
  - (ii) review the alignment of risk management framework with risk profile and the achievement of corporate objectives;
  - (iii) review the adequacy of risk management strategies and policies;
  - (iv) review changes to risk parameters and acceptable tolerance;
  - (v) review the effectiveness of the risk monitoring and reporting mechanism;
  - (vi) oversee the Management's activities in managing critical risks related to strategic, financial, operational and compliance;
  - (vii) ensure a culture of risk management within the Group by developing lines of responsibilities and accountabilities through awareness, education and training for all levels of staff;
  - (viii) ensure infrastructure, resources and systems are in place;
  - (ix) evaluate likelihood and magnitude of risk impact;
  - (x) obtain feedback from internal and external auditors and the Management on adequacy of risk management and internal control system; and
  - (xi) recommend improvement to risk management strategies and processes for the Board's approval.

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- 3.11 To review and endorse any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises question of management integrity.

**4. MEETINGS**

- 4.1 In the absence of the Chairman of Committee, the remaining member present shall elect one from amongst themselves to chair the meeting.
- 4.2 Unless otherwise agreed, the notice of the meeting together with the relevant meeting papers shall be sent to each member of the Committee at least five (5) business days before the date of the Committee meeting.
- 4.3 Meetings shall be held not less than four (4) times a year with a due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities.
- 4.4 The quorum for the Committee Meeting shall be two (2) members and majority of members present must be independent Directors.
- 4.5 In line with the Company's Constitution, a member may participate in a meeting of the Committee by means of conference telephone, conference videophone or any communication equipment which allows all persons participating in the meeting to hear each other, without a member being in the physical presence of another member or members of the Committee, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. The members of the Committee participating in any such meeting shall be counted in the quorum for such meeting and subject to there being a requisite quorum in accordance with the terms of reference of the Committee, all resolutions agreed by the members of the Committee in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Committee duly convened and held. A meeting conducted by means of a conference telephone or similar communications equipment as aforesaid shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.
- 4.6 Questions arising at any meeting of the 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 Committee shall have a second or casting vote.
- 4.7 A resolution taking the form of one or more documents in writing signed or approved by other electronic communications by a majority of the members of the Committee, provided that they are sufficient to form a quorum at a meeting of the Committee, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted; provided that the resolution is circulated to all members of the Committee. All such resolutions shall be described as "Circular Resolution of Audit and Risk Management Committee" and shall be forwarded or otherwise delivered to the Secretary upon signing without delay, and shall forthwith be recorded by the Secretary in the Company's Minute Book. Any such resolution in writing may be contained in one (1)

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document or separate copies thereof (which may be prepared and circulated by electronic communications with copy sent by courier or registered post) which is signed by one (1) or more of the member of the Committee.

- 4.8 Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.
- 4.9 The Chairman of the Committee shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed to the matters affecting the Company.
- 4.10 The Finance Manager, the head of internal audit and representatives of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Committee. However, the Committee shall meet with the external auditors, the internal auditors or both, without other Board members and management present at least twice a year or/and whenever deemed necessary.

**5. REPORTING PROCEDURES**

- 5.1 The Chairman of the Committee shall report on each meeting to the Board of Directors.
- 5.2 The Company Secretaries shall be the secretaries of the Committee.
- 5.3 Minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the other members of the Board.
- 5.4 The minutes of the 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.

**6. REVIEW OF THE COMMITTEE**

- 6.1 The Nominating Committee shall review the terms of office and performance of the Committee and each of its members annually to determine whether such the Committee and/or its Members have carried out their duties in accordance with the Terms of Reference.