

JCBNEXT BERHAD
(Company No. 641378-W)

Terms of Reference of Audit and Risk Committee

1. COMPOSITION

The Audit and Risk Committee (“ARC”) shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) and shall be composed of not fewer than three (3) members (none of whom shall be Executive) of whom the majority shall be Independent Directors.

All the members shall be financially literate and at least one (1) member of the ARC:

- 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 three years’ working experience and:
 - aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - bb) 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.
- c) must be a person who fulfills such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

The members of the ARC shall elect a Chairman from among their number who is an Independent Director. The vacancy of the Independent Chairman of the ARC must be filled within 3 months. No alternate Director of the Board shall be appointed as a member of the Committee.

In the event the elected Chairman is not able to attend a meeting of the ARC, a member of the ARC shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Director.

A member of the ARC who wishes to retire or resign should provide sufficient written notice to the Board of Directors so that a replacement may be appointed before he leaves.

If a member of the ARC resigns, dies or for any other reason ceases to be a member with the result of the number of members is reduced to below three, the Board of Directors shall, within two (2) months, but in any case not later than three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

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

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2. FUNCTIONS

The ARC has the overall responsibility for overseeing the risk management activities of the Company and its subsidiaries (the “Group”), approving appropriate risk management procedures and measurement methodologies across the organisation. Its primary functions are as follows:

- (i) To review the appointment/re-appointment and performance of external auditors, the audit fee, any question of resignation or dismissal, any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment before making recommendations to the Board of Directors and recommend the nomination of a person or persons as external auditors and in making the determination of the appointment / re-appointment of the external auditors, in addition to the suitability factors as set out below:-
- (a) the adequacy of the experience and resources of the accounting firm;
 - (b) the persons assigned to the audit;
 - (c) the accounting firm’s audit engagements;
 - (d) the size and complexity of the listed issuer’s group being audited; and
 - (e) the number and experience of supervisory and professional staff assigned to the particular audit.

to also consider the performance of the external auditors and its independence such as:-

- the external auditor’s ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and
 - whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors.
- (ii) To review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;

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- (iii) To ensure that the internal audit function is independent of the activities work it audits and the internal auditors shall report directly to the ARC. The head of internal audit should have the relevant qualification and be responsible for providing assurance to the ARC that the internal controls are operating effectively. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company;
- (iv) To take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning;
- (v) To review the adequacy of the internal audit scope and plan, including the internal audit programme, internal audit reporting and communication flow; functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work or whether concerns, if any, identified by internal audit in its report were addressed during the financial year;
- (vi) To review the quarterly results and financial statements of the Company with both the external auditors, if applicable, and management, prior to the approval by the Board of Directors, focusing particularly on:-
 - (a) Any changes in or implementing of major 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) The going concern assumption; and
 - (d) Compliance with accounting standards and other legal requirements;
- (vii) To review the external auditors' audit report;
- (viii) To review any management letter sent by the external auditors to the Company and the management's response to such letter;
- (ix) To review the assistance given by the Company's officers to the external auditors;
- (x) To ensure management's compliance with the Listing Requirements and all relevant legislations, guidelines and regulations issued by regulatory authorities;
- (xi) To review proposals and plans to meet compliance;

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- (xii) To review management's action plans to effect any proposals to meet and maintain required standards and guidelines;
- (xiii) To review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
- (xiv) To review all related-party transactions and potential conflict of interests situations that may arise within the Company including any transaction, procedure or course of conduct that raises questions on management integrity and the framework to be established;
- (xv) To prepare reports, if the circumstances arise or at least once (1) a year, to the Board of Directors summarising the work performed in fulfilling the ARC's responsibilities, functions and duties for the financial year,
- (xvi) To review the adequacy and effectiveness of the Group's risk management activities and internal control procedures as well as any internal control issues identified by the external and internal auditors;
- (xvii) To ensure the implementation of the objectives outlined in the Enterprise Risk Management Framework and compliance with them;
- (xviii) To evaluate the process of the Group has in place for assessing and continuously improving risk management, internal controls and systems, particularly those related to areas of significant business risk;
- (xix) To review risk management reports particularly the significant risk observations and risk response and ensure that appropriate action plan is in place to mitigate the risk;
- (xx) To report to the Board any significant risk observations that warrants the Board's attention;
- (xxi) To provide routine quarterly reporting and update the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals;
- (xxii) To work with the Group Financial Controller and Group Internal Audit Department in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approvals of the Board; and
- (xxiii) All other matters delegated by the Board of Directors.

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- (xxiv) To discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditor may wish to discuss (in the absence of management where necessary).
- (xxv) To discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed by the external auditors. The contracts cannot be entered into should include:-
- Management consulting;
 - Strategic decision;
 - Tax services (*please confirm*)
 - Internal audit; and
 - Policy and standard operating procedures documentation;
- (xxvi) In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation or affiliated to the external auditor's firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's external auditors), the Company is required to state the details on the nature of the non-audit services rendered in the Company's Annual Report.

The Chairman of the ARC shall engage on a continuous basis with senior management, such as the Chairman of the Board of Directors, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

3. ACCESS

The ARC shall:

- (i) Have explicit authority to investigate any matters within its terms of reference;
- (ii) Have the resources which it needs to perform its duties;
- (iii) Have full and unrestricted access to any information which it requires in the course of performing its duties;
- (iv) Have unrestricted access to the Chief Executive Officer and any other senior management staff of the Group;
- (v) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

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- (vi) Be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company;
- (vii) Be able to invite outsiders with relevant experience to attend its meetings if necessary; and
- (viii) Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Board of Directors and employees of the Company, whenever deemed necessary.

Where the ARC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the ARC shall promptly report such matter to Bursa Malaysia Securities Berhad.

4. MEETINGS

The ARC shall meet at least four (4) times a year and such additional meetings, as the Chairman shall decide in order to fulfil its duties. Upon the request of the external auditors or internal auditors (if any), the Chairman of the ARC shall convene a meeting of the Committee to consider any matters that the auditors believe should be brought to the attention of the Directors or shareholders.

The Company Secretary or other appropriate senior official shall act as Secretary of the ARC 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 and taking attendance for the ARC meeting.

The Secretary shall also be responsible for keeping the minutes of ARC and circulating them to committee members and to the other members of the Board of Directors.

In order to form a quorum for the meeting, the majority of members present must be independent directors.

The Finance Director, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. Other board members may attend the ARC Meeting upon the invitation of the ARC. However, at least twice a year the ARC shall meet with the external auditors without executive board members, Management and employees present.

The Company must ensure that other directors and employees attend any particular ARC meeting only at the ARC's invitation, specific to the relevant meeting.

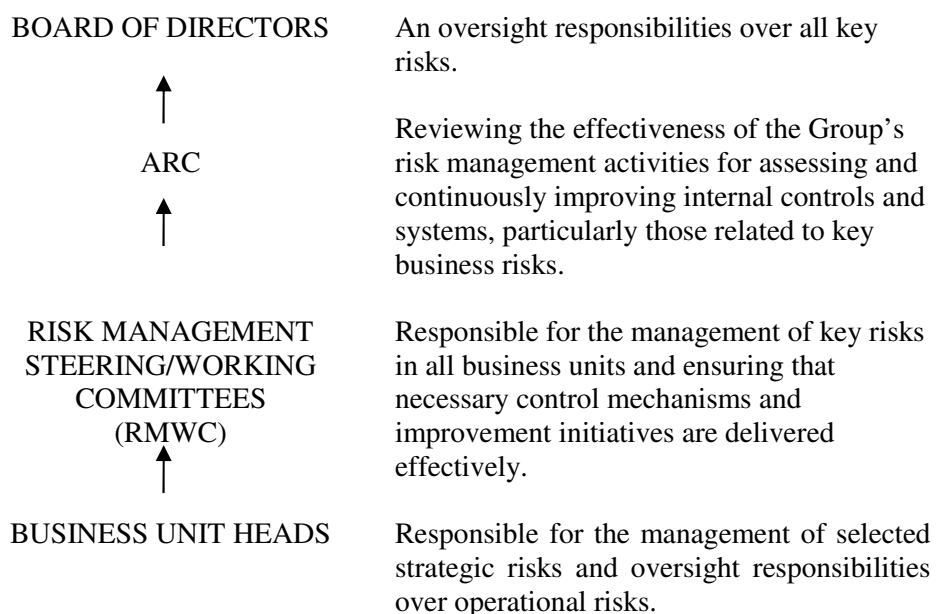
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5. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management Framework is adopted for the Group to have a common strategic and formal approach to risk management so as to improve decision making, enhance outcomes and accountability.

6. RISK MANAGEMENT REPORT

Structure and Roles



7. REPORTING PROCEDURES

The ARC shall assist the Board in preparing the ARC report at the end of the each financial year for inclusion in the Annual Report of the Company. The ARC Report shall include the following information:-

- (a) A summary of the work of the ARC in the discharge of its functions and duties for the financial year and how it has met its responsibilities;
- (b) Composition of the ARC, including the name, designation (indicating the Chairman) and directorship of the members (including whether the Directors are independent or otherwise);

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- (c) Number of ARC meetings held during the financial year and details of attendance of each ARC members; and
- (d) Summary of the work of the internal audit function.

The ARC shall also assist the Board in making the following additional statements in the Company's Annual Report:-

- (a) Statement on the Board's responsibility for preparing the annual audited financial statements; and
- (b) Statement about the state of risk management and internal control of the Group.

On the risk management reporting process, the various RMWCs will perform a quarterly risk management process and thereafter will present the risk management report to the ARC quarterly or whenever deemed necessary. The ARC will then present the risk management report to the Board on a quarterly basis.

8. WRITTEN TERMS OF REFERENCE

The ARC must have its written terms of reference which deal with its authority and duties, and such information must be made available on the Company's website.