

MALAYSIAN GENOMICS RESOURCE CENTRE BERHAD
[Registration No.: 200401014287 (652790-V)]
(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

1. Objectives

The principal objectives of the Audit and Risk Management Committee (“ARMC”) are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the ARMC shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

2. Composition of members

The Board shall appoint the ARMC members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the ARMC members shall be independent directors.

In this respect, the Board adopts the definition of “independent director” as defined under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

All members of the ARMC shall be financially literate and at least one (1) member of the AC must be: -

- (a) a member of the Malaysian Institute of Accountant (“MIA”); or
- (b) if he is not a member of MIA, he must have at least three (3) years of working experience and:
 - i. he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

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- ii. he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the ARMC.

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

Retirement and resignation

If a member of the ARMC resigns, dies, or for any reason ceases to be a member, resulting in non-compliance, the Board shall appoint the necessary number of new members to fill the vacancy within three (3) months of the event.

Cooling-Off Period for Former Audit Partners

No former key audit partner of the Company's external audit firm (including the engagement partner, the partner responsible for engagement quality control review, and any other audit partner on the engagement team who made decisions or judgments on significant matters with respect to the audit of the Company's financial statements) shall be appointed as a member of the ARMC before observing a cooling-off period of at least three (3) years from the date they ceased to be a partner of the audit firm.

3. Chairman

The members of the ARMC shall elect a Chairman from amongst their number who shall be an independent director.

In the absence of the Chairman of the ARMC, the other members of the ARMC shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

In the event of any reason that the Chairman of ARMC cease to be the Chair, the other members of the ARMC shall elect a new Chairman within three (3) months.

The Chairman of the Board shall not be a member of the ARMC.



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4. Secretary

The Company Secretary shall be the Secretary of the ARMC and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

5. Meetings

The ARMC shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Upon the request of the external auditor, the Chairman of the ARMC shall convene a meeting of the ARMC to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Notice of ARMC meetings shall be given to all the ARMC members unless the ARMC waives such requirement.

The Chairman of the ARMC shall engage on a continuous basis with senior management, such as the Chairman, the Managing Director, the Financial Controller, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Financial Controller, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the ARMC. The ARMC shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

Questions arising at any meeting of the ARMC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the ARMC shall have a second or casting vote.

AC members may participate in a meeting by means of a conference telephone or similar communications equipment, through which all persons participating in the meeting can hear and speak with each other.

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6. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the ARMC and also to the other members of the Board. The ARMC Chairman shall report on each meeting to the Board.

The minutes of the ARMC 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.

7. Quorum

The quorum for any meeting of the ARMC shall be two (2) members.

8. Circular Resolution

A resolution in writing signed or approved by letter, telegram, telex or telefax or other electronic/digital means (including but not limited to electronic mail) by all the ARMC Members and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a Meeting of the ARMC duly called and constituted. All such resolutions shall be described as "ARMC Members' Resolutions in Writing" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's Minutes Book. Any such resolution may consist of several documents in like form, each signed by one (1) or more ARMC Members.

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9. Authority

The ARMC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the ARMC.
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (e) where the ARMC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the ARMC shall promptly report such matter to Bursa Securities.
- (f) convene meetings with the external auditors, without the presence of executive members of the ARMC, whenever deemed necessary.

10. Duties and Responsibilities

The duties and responsibilities of the ARMC are as follows:-

- (g) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- (h) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

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- (i) To review with the external auditor his/her evaluation of the system of internal controls and his audit report;
- (j) To review the quarterly and year-end financial statements of the Board, focusing particularly on –
 - any change in accounting policies and practices;
 - significant matters highlighted including financial reporting issues, significant judgments made by the Management, significant and unusual events or transactions, and addressing matters pertaining thereto;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (k) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- (l) To review the external auditor's management letter and management's response;
- (m) To do the following, in relation to the internal audit function:-
 - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and

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- take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (n) To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (o) To report its findings on the financial and management performance, and other material matters to the Board;
- (p) To consider the major findings of internal investigations and management's response;
- (q) 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;
- (r) To determine the remit of the internal audit function;
- (s) To consider other topics as defined by the Board;
- (t) To advise the Board of Directors and make recommendation in respect of risk management as to the following matters: -
 - To monitor risk management processes are integrated into all core business processes and that the culture of the organization reflects the risk consciousness of the Board;
 - Review the Risk Register and ensure that all risks are well managed;
 - Review the enterprise risk scorecard and determine the risks to be escalated to the Board once a year; and
 - Provide a consolidated risk and assurance report to the Board to support the statement relating to internal control in the Company's annual report; and
- (u) To consider and examine such other matters as the ARMC considers appropriate.



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11. Review of The Terms of Reference

This terms of reference will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Committee's responsibilities. Any amendments to this term of reference must be approved by the Board.

The written terms of reference will be made to the public on the Company's website.