



KIMLUN CORPORATION BERHAD

Registration No. 200901023978 (867077-X)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

A. Composition and Membership

- (1) The Audit and Risk Management Committee (“ARMC”) shall be appointed by the Board of Directors (“Board”) from amongst the Directors of the Company which fulfils the following requirements:-
 - (a) the ARMC must be composed of not fewer than three (3) members;
 - (b) the Chairman of the Board must not be a member of the ARMC;
 - (c) all members of the ARMC shall be financially literate and have sufficient understanding of the Company’s business and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company’s reporting process;
 - (d) all members of the ARMC must be Non-Executive Directors, with a majority of them being Independent Directors;
 - (e) at least one (1) member of the ARMC:-
 - (i) must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (ii) if he is not a member of the MIA, he must have at least three (3) years’ working experience and:-
 - (aa) he must have passed the examinations specified in Part I of the First 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 First Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”);
 - (f) no Alternate Director shall be appointed as a member of the ARMC; and

- (g) a former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc) of the Company or any entity within the Group is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.
- (2) In the event of any vacancy in the ARMC resulting in the non-compliance of the above, the Board shall take steps to fill the vacancy within three (3) months of the event.
- (3) The members of the ARMC shall elect a Chairperson among themselves, who shall be an Independent Director.

The Chairperson of the ARMC should engage on a continuous basis with Senior Management, the internal audit and the external auditors in order to be kept informed of matters affecting the Company.

B. Secretary

The Company Secretaries of the Company or such substitute as appointed by the Board from time to time shall act as the Secretary of the ARMC during the term of his/her appointment.

C. Duties and Responsibilities

The main duties and responsibilities of the ARMC shall include the following:-

(1) Financial Reporting and Processes

- (a) To review the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed;
 - (iii) compliance with accounting standards, regulatory and other legal requirements;

- (iv) the going concern assumption; and
 - (v) significant adjustment arising from the audit;
- (b) To review the external audit findings and report, the Management Letter and Management's response thereto, internal control recommendations from the external auditors in respect of internal control weaknesses noted in the course of their audit;
 - (c) To review the problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management where necessary);
 - (d) To meet with the external auditors, once at the planning stage before the audit and once after the audit at the reporting stage. The ARMC shall meet the external auditor at least twice a year, without Management being present to discuss their remit and any issues arising from the audit;
 - (e) To review and approve the statements to be included in the Annual Report concerning internal controls and risk management;
- (2) External Auditors
- (a) To establish policy and procedures to assess the suitability, objectivity and independence of external auditors;
 - (b) To consider and make recommendation to the Board in relation to the nomination, appointment, re-appointment, resignation and removal of the external auditors, and any question of resignation or dismissal, including the review of any letter of resignation from external auditors;
 - (c) To review the performance, the suitability, objectivity and independence, the remuneration of the external auditors annually based on the policies and procedures that have been established and by considering among others:-
 - (i) the competence, audit quality and resource capacity of the external auditors in relation to the audit. The assessment should also consider information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the ARMC may

engage the audit firm on matters typically covered in the Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;

- (ii) the appropriateness of audit fees to support a quality audit;
 - (iii) the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
 - (iv) obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
- (d) To establish policies and procedures in governing circumstances for contracts of non-audit services to be entered with external auditors;
- (e) To review the following with the external auditors and report the same to the Board:-
- (i) audit plan, its scope and nature;
 - (ii) audit report;
 - (iii) evaluation of the system of internal controls;
 - (iv) the assistance given by the employees of the Company to the external auditors including any difficulties or disputes with management encountered during audit; and
 - (v) external auditors' management letter and management's response thereto;

(3) Internal Auditors

- (a) To 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 and to decide on among

others the appointment and removal, scope of work, performance evaluation and budget for internal audit function;

- (b) To review the internal audit plan, processes and results of the internal audit work and processes or investigation undertaken and whether appropriate actions are taken on the recommendations of the internal audit function;
- (c) To review any appraisal or assessment of the performance of the internal audit function on an annual basis;
- (d) To review and approve any appointment or termination of senior staff members of the internal audit function and take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning, if the function is undertaken in-house;
- (e) To review the major findings of internal investigations and Management's response;
- (f) To meet the internal auditors at least once a year, without Management being present to discuss their remit and any issues arising from the internal audits carried out. In addition, the internal auditors shall be given the right of direct access to the Chairman of the Board and the ARMC;

(4) Conflict of Interest

To establish a Conflict of Interest Policy to effectively identify, address, and manage conflicts of interest ("COI") or potential COI, including those that are actual, potential, or perceived in nature.

To review and report to the Board, any COI situation that arose, persist or may arise (including any transaction, procedure or course of conduct that raises questions of management integrity) together with the measures taken to resolve, eliminate or mitigate such conflicts;

(5) Related Party Transactions

To review and report to the Board any related party transactions, recurrent related party transactions;

(6) Risk Management and Internal Control

- (a) To establish an adequate and effective Group's risk management and internal control framework;
 - (b) To review the adequacy and effectiveness of risk management, internal control and governance systems put in place in the Group, and to evaluate the systems with the external auditors;
 - (c) To review the overall risk profile of the Group's risks, the significant risks, its mitigation strategies and action plans, and to provide guidance to address the identified risks and report to the Board;
 - (d) To review the risk management and internal control framework, policies and process, including identifying, managing, monitoring and mitigating the significant risks of the Group, and recommend for approval by the Board;
 - (e) To review the adequacy of resources for managing the risk management and internal control framework;
 - (f) To review the Statement on Risk Management and Internal Control to ensure that relevant information as prescribed in the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities are disclosed in the Annual Report;
- (7) Others
- (a) To establish a Whistleblowing Policy and review the Company's arrangement for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The ARMC shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
 - (b) To appropriately communicate to the internal and external auditors, the insights, views and concerns about relevant transactions as well as its concerns on matters that may have an effect on the financial or audit of the Group;
 - (c) To ensure there is co-ordination between internal and external auditors;

- (d) To report to Bursa Securities on any matter reported to the Board that has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities;
- (e) To review all financial related reports/statements or any other reports/statements as required by the Listing Requirements, for inclusion in the Annual Report;
- (f) To prepare and submit an ARMC Report to shareholders in the Company's Annual Report in compliance with the Listing Requirements of Bursa Securities;
- (g) To obtain regular updates from the management regarding compliance matters;
- (h) To review queries, investigation or findings by the regulatory agencies (if any); and
- (i) To carry out any other functions as may be directed by the Board from time to time.

D. Rights

In performing of its duties and responsibilities, the ARMC shall in accordance with a procedure to be determined by the Board and at the cost of the Company to:-

- (1) have the authority to investigate any matter within its Terms of Reference ("TOR");
- (2) have the resources which are required to perform its duties;
- (3) have full and unrestricted access to any information pertaining to the Group and documents which are required to perform its duties;
- (4) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (5) be able to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend the ARMC meetings (if required) and to brief the ARMC; and

- (6) be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function of activity or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.

E. Reporting

- (1) The ARMC Chairperson shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities; and
- (2) The ARMC shall make whatever recommendation to the Board it deems appropriate on any area within its remit where action or improvement is needed.

F. Structures and Procedures of Meetings

(1) Frequency of Meetings

The ARMC will meet at least four (4) times annually or more frequently as circumstance may dictate. The Chairperson, in consultation with the Secretary, shall determine the frequency of the meetings and discuss the schedule of meetings with all participants concerned.

(2) Calling

Chairperson of ARMC may call for additional meetings at the request by any ARMC member, the Management, the internal or external auditors.

(3) Venue

The ARMC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enable the ARMC members as a whole to participate for the entire duration of the meeting. The technology to be used for the purpose of this paragraph must enable each ARMC member taking part in the meeting to communicate simultaneously with each of the other ARMC members and may include telephone, video conferencing, or any other audio and/or visual device which permits instantaneous communication. All information and documents for the meeting must be made available to all ARMC members prior to or at the meeting.

(4) Virtual Meeting

A virtual meeting shall be deemed to constitute an ARMC meeting provided the following conditions are met:-

- (a) all the ARMC members for the time being entitled to receive notice of the ARMC meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and
- (b) an ARMC member may not leave a virtual meeting by disconnecting from the technology used unless he has previously expressly notified the Chairperson of his/her intention to leave the meeting and an ARMC member shall be conclusively presumed to have been present and to have formed part of the quorum at all times during such a meeting until such notified time of his/her leaving the meeting.

The main venue of the ARMC meeting shall be the place where the Chairperson is present at the ARMC meeting or the Chairperson of the meeting is present, if the meeting is not chaired by the Chairperson of the ARMC.

(5) Notice

Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to the ARMC members either personally or by fax or by post or by courier or by e-mail to his/her registered address as appearing in the Register of Directors, as the case may be. The agenda and relevant papers for the ARMC meeting must be issued at least five (5) business days in advance of each meeting.

(6) Quorum

The quorum of the ARMC shall be two (2) members present who are Independent Directors.

(7) Chairperson

If the Chairperson of the ARMC is not present within fifteen (15) minutes after the time appointed for the holding of the meeting, the ARMC members present shall elect one of their members, who shall be an Independent Director to be the Chairperson of the meeting.

(8) Attendance

The Finance Director and the representative(s) of the internal and external auditors will normally be invited to attend the meetings. Other Board members and Senior Management staff may attend meetings upon the invitation of the ARMC.

(9) Voting

A resolution put to the vote of the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairperson shall be entitled to a second or casting vote. Nevertheless, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairperson of the ARMC will not have the second or casting vote.

A member of the ARMC who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall abstain from deliberating and voting.

(10) Keeping of Minutes

Minutes of each meeting shall be signed by the Chairperson of the meeting at which the proceedings were held and kept as part of the statutory record of the Company upon confirmation by the ARMC and a copy shall be distributed to each member of the ARMC.

(11) Custody, Production and Inspection of Such Minutes

The minutes shall be kept by the Company at the Registered Office or the principal place of business of the Company in Malaysia, and shall be open for the inspection by any ARMC member or Board member without charge.

G. Written Resolution

A written resolution signed or approved by letter or telefax or facsimile, email or other electronic means and to include a signature and/or an electronic or digital signature by all members of the ARMC shall be valid and effectual as if it had been passed at a meeting of the ARMC duly called, convened, held and constituted. Any such resolution may be executed in any number of counterparts, each signed by one or more members, all of which taken together and when delivered to the Secretary of the ARMC shall constitute one and the same resolution.

H. Review of the Term of Office

All members of the ARMC, including the Chairperson, will hold office only so long as they serve as Directors of the Company. The Nomination Committee shall review the term of office and performance of the ARMC and each of its members annually to determine whether the ARMC and members have carried out their duties in accordance with its TOR.

I. Review of the Terms of Reference

The TOR shall be reviewed and updated by the ARMC on a periodic basis as it deems appropriate for the Board to approve. Such review shall be in line with any regulations that may have an impact on the discharge of the ARMC's responsibilities.

This TOR was reviewed and approved by the Board on 29 November 2022 and is made available for reference on the Company's website at <http://www.kimlun.com>.

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