

**K. SENG SENG CORPORATION BERHAD**  
(Registration No. 198501000983 (133427 W))  
(Incorporated in Malaysia)

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

**1. INTRODUCTION AND OBJECTIVES**

The Audit and Risk Management Committee (“ARMC”) is established by the Board of Directors (“Board”) of K. Seng Seng Corporation Berhad (“KSSC” or the “Company”) to assist the Board on matters pertaining to audit activities, liaising with external auditors in relation to financial reporting and internal auditors in relation to assurance over the effectiveness and integrity of the Group’s internal control and risk management systems, related party transactions and conflict of interest situations, and risk management activities of the KSSC and its group of subsidiaries (“Group”).

This Terms of Reference of the ARMC (“TOR”) specifies the authorities and duties of the ARMC and shall be read together with KSSC’s Board Charter.

**2. REVIEW AND UPDATE**

This ARMC TOR is approved by the Board of KSSC on 5 May 2021.

This TOR will be amended and modified from time to time in line with any changes in relevant legislation, codes or regulations (in so far as they are applicable to this TOR and are mandatory), and all such amendments and modifications shall be deemed incorporated without the requirement for further approvals from the Committee and the Board. The Committee and the Board shall thereafter be duly informed of such amendments and modifications.

**3. COMPOSITION AND CHAIRMAN**

3.1. The composition of the ARMC must comprise at least 3 Directors.

3.2. All members must be Non-Executive Directors and majority of them must be Independent Directors.

3.3. At least one member of the ARMC:

3.3.1. must be a member of the Malaysian Institute of Accountants; or

3.3.2. If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years working experience; and

(a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or

(b) 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

- 3.3.3. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad<sup>1</sup>.
- 3.4. The ARMC must appoint an ARMC Chairman from amongst its members who is an Independent Director.
- 3.5. In the event of any vacancy in the ARMC that results in a non-compliance with **Paragraph 3.1 to 3.5** above, the vacancy must be filled within 3 months.
- 3.6. The ARMC Chairman shall not be the Board Chairman.
- 3.7. No alternate directors shall be an ARMC member.
- 3.8. A former partner of the external auditors of the Company shall observe a cooling-off period of at least 3 years before being appointed as a member of the ARMC.  
A former partner includes any partners of the external audit firm and/or the affiliate firms (including those providing advisory services, tax consulting, etc.)
- 3.9. All ARMC members shall be financially literate and they shall at minimum be able to read, analyse, and interpret financial statements. ARMC members shall have sufficient understanding of the Group's business. All ARMC shall be competent and are able to understand matters under the purview of the ARMC including the financial reporting process.

#### **4. SECRETARY**

The Company Secretary(ies) shall be the secretary(ies) for the ARMC.

#### **5. ROLES AND RESPONSIBILITIES**

- 5.1. In relation to the functions of an audit committee pursuant to Part C, Chapter 15 of the Listing Requirements, the ARMC's functions include the following:
- 5.1.1. **Financial reporting and external auditing matters**
- 5.1.1.1 Reviewing with the external auditor, the following, and reporting the same to the Board:
- (a) the audit plan;
  - (b) the external auditor's evaluation of the system of internal controls; and
  - (c) the external auditor's audit report.

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<sup>1</sup> \* The following qualifications are also acceptable:-

- (a) a person with a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
- (b) a person who is a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants and at least 3 years' post-qualification experience in accounting or finance; or
- (c) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

- 5.1.1.2 Reviewing the quarterly results and year-end financial statements and making appropriate recommendations to the Board prior to Board's approval, focusing particularly on:
- (a) changes in or implementation of major accounting policy changes;
  - (b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
  - (c) compliance with accounting standards and other legal requirements.
- 5.1.1.3 Assessing and recommending matter relating to the appointment of external auditor(s) of the Group, including:
- (a) reviewing any resignation letter from the external auditor and reporting the same to the Board;
  - (b) reviewing the suitability, objectivity, and independence of the external auditor on an annual basis (including whether there is a reason, supported by grounds, to believe that the incumbent external auditor is not suitable for re-appointment) considering the following:
    - (i) the competence and experience, audit quality, and resource capacity of the external auditor;
    - (ii) the audit fees;
    - (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 auditor 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.
- 5.1.1.4 Reviewing the assistance given by the Group's employees to the external auditor and reporting the same to the Board.
- 5.1.1.5 Ensuring the external auditor reports directly to the ARMC and meeting with the external auditor without the presence of the Management personnel at least twice a year.
- 5.1.1.6 Establishing a policy on non-audit services which may be provided by the external auditors.

**5.1.2. Internal auditing matters**

- 5.1.2.1 Reviewing the internal audit plan and processes, the results of the internal audit assessments, investigation undertaken, and whether or not appropriate action is taken on the recommendations of the internal audit function, and reporting the same to the Board.
- 5.1.2.2 Assessing and deciding on matters relating to the internal audit function and its key personnel, including:
  - (a) reviewing the adequacy of the scope, function, independence, competency, and resources of the internal audit function and that it has the necessary authority to carry out its work, and reporting the same to the Board;
  - (b) appointing and removing key personnel of the internal audit function;
  - (c) reviewing whether the internal audit personnel are free from any relationships or conflicts of interest which could impair their objectivity and independence; and
  - (d) reviewing the performance of the internal audit function.
- 5.1.2.3 Ensuring the internal auditor reports directly to the ARMC and meeting with the internal auditor without the presence of the Management personnel at least once a year.

**5.1.3. Conflict of interest and related party transactions**

- 5.1.3.1 Reviewing any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedures, or course of conduct that raises questions of management integrity and reporting the same to the Board on a quarterly basis.

The ARMC shall review all conflict of interest situations declared to the Board pursuant to the Board Charter and advise, where appropriate, measures to address the situations.

- 5.1.4. The ARMC shall review the implementation of action plans addressing the findings and recommendations by external and internal auditors.
- 5.1.5. The ARMC should appropriately communicate its insights, views, and concerns about relevant transactions, events, or matter which may have an effect on the audit to the internal and/ or external auditors.
- 5.1.6. The ARMC should ensure there is co-ordination between the external and internal auditors.
- 5.1.7. The ARMC through the ARMC Chairman receives whistleblowing reports via the Group's Whistleblowing Policy. The ARMC reviews such reports and any

other reports concerning significant breaches of applicable laws, regulations, or the Group's policies and procedures as escalated to the ARMC.

- 5.1.8. The ARMC shall report to the Board any cases of significant non-compliance with laws and regulations (e.g., corruption, fraud, or criminal activities) and, if appropriate, to the relevant authorities.

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

- 5.2. In relation to risk management matters, the ARMC's functions include the following:
- 5.2.1. reviewing the design adequacy and implementation effectiveness of the Group's risk management and internal control systems, including the establishment of a risk management framework. The Group's overall risk management and internal control systems shall consider aspects of enterprise-wide risks (e.g., strategic, operational, financial, compliance risk), sustainability risks and opportunities (e.g., economic, environmental, and social risks and opportunities), and fraud and corruption risks (e.g., fraud, bribery, and corruption risks);
  - 5.2.2. reviewing and recommending the Group's risk appetite for the Board's approval;
  - 5.2.3. assisting the Board in its review of the strategic plan, considering long-term value creation and sustainability;
  - 5.2.4. ensuring adequate risk assessment is undertaken for any strategic or significant projects or investments to be proposed to the Board;
  - 5.2.5. reviewing the following on an annual basis and report the same to the Board:
    - (a) the Group's enterprise-wide risk management assessment in determining the Group's principal risks, including the policies, measures undertaken, and performance thereof.  

The assessment shall include consideration of corruption risks of the Group.
    - (b) the Group's materiality assessment in determining the Group's material economic, environmental, and social risks and opportunities, including the policies, measures undertaken, and performance thereof; and
  - 5.2.6. overseeing any non-compliance issues pertaining to applicable laws and regulations and significant policies adopted by the Group, including the Group Code of Ethics and Anti-Bribery and Corruption Policy.
- 5.3. The ARMC shall also review the Group's Employee Share Option Scheme ("ESOS"), if any, at least annually to ensure it is in compliance with applicable ESOS Bye-Laws; or

- 5.4. The ARMC shall oversee the preparation of the Audit Committee Report, Statement on Risk Management and Internal Controls, and Sustainability Statement in accordance with the Listing Requirements, for the Board's approval for inclusion in the Company's annual report.

## **6. AUTHORITY**

- 6.1. The ARMC is authorised by the Board to investigate any activity within its Terms of Reference and shall have adequate resources and full and unrestricted access to any information of the Group and to the internal and external auditors and all employees in performing its duties.
- 6.2. The ARMC is also authorised by the Board to obtain external legal advice, advice from external parties with the relevant experience, or other independent professional advice, if necessary.
- 6.3. The ARMC is authorised to have direct communication channels and to convene meetings with the external auditors, the internal auditors, or both, without the presence of other Board members or employees.

## **7. PROCEDURES OF THE ARMC**

### **7.1. Meeting Procedures:**

- 7.1.1. The ARMC shall meet at least once every quarter.
- 7.1.2. Unless where unavoidable, ARMC meeting agenda and meeting papers are to be circulated at least seven (7) days prior to the meeting.
- 7.1.3. A member of the ARMC may at any time call for a meeting of the ARMC.
- 7.1.4. A notice calling for a meeting of the ARMC shall be given to its members at least three (3) days before the meeting or at shorter notice as the ARMC members shall determine or agree.
- 7.1.5. The quorum of an ARMC meeting shall be two (2) members and the majority of members present must be Independent Directors.
- 7.1.6. The ARMC Chairman shall preside at all ARMC meetings. In the absence of the ARMC Chairman, a chairman who is an Independent Director shall be appointed from amongst the members present.
- 7.1.7. ARMC meetings shall be attended only by ARMC members while other individuals may be invited by the ARMC to attend sessions on relevant matters. The meeting chairman shall exercise the right to require invitees to leave the meeting where necessary.
- 7.1.8. Questions arising at any ARMC meeting shall be decided by a majority of votes of members present. The meeting chairman shall have a casting vote in case of an equality of votes.

- 7.1.9. The chairman of an ARMC meeting shall brief the Board Chairman on the outcome after each ARMC meeting, highlighting significant issues and the ARMC's recommendations.
  - 7.1.10. Deliberation and resolutions of the ARMC shall be documented in minutes. The draft minutes shall be circulated promptly and tabled at the following meeting for ARMC confirmation and signing by the ARMC Chairman. ARMC meeting minutes shall be kept by the Company Secretary.
- 7.2. The membership of the ARMC shall be reviewed by the Nomination Committee annually to determine whether the ARMC and its members have carried out their duties in accordance with this TOR.