

# **SENG FONG HOLDINGS BERHAD**

Registration No. 202101022910 (1423210-X)

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

### **1. OBJECTIVES**

- 1.1 The primary function of the Audit and Risk Management Committee (“the Committee”) formed by the Board of Directors (“Board”) is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the financial reporting process, internal controls, risk management of Seng Fong Holdings Berhad and its subsidiaries (collectively “Group”), amongst others:-
- (a) oversees the transparency of the financial reporting process;
  - (b) evaluates the performance of internal auditors and external auditors;
  - (c) ensure that the Group adopts a risk management framework which is based on internationally recognised risk management framework;
  - (d) oversees the Group’s risk management, and internal control framework and policies; and
  - (e) ensure that proper process and procedures are in place to comply with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies.

### **2. MEMBERSHIP**

- 2.1 The Audit and Risk Management Committee shall be appointed by the Board amongst its Directors and shall comprise at least three (3) members, all of whom must be Independent Non-Executive Directors.
- 2.2 All members of the Committee should 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.
- 2.3 The Chairman of the Board must not be a member of the Committee.
- 2.4 At least one (1) member of the Committee:-
- (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or

- (b) if not a member of the MIA, he/she must have at least three (3) years' working experience; and
  - (i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - (ii) must be a member of one associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- (c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

2.5 No Alternate Director shall be appointed as a member of the Committee.

2.6 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 Committee.

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

2.8 Where the members of the Committee for any reason are reduced to less than three (3), the Board shall based on the recommendation of the Nominating Committee, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **3. CHAIRMAN**

3.1 The Chairman of the Committee shall be an Independent Non-Executive Director.

3.2 In the absent of the Chairman of the Committee or if he is not present at any Committee meeting within fifteen (15) minutes of the time appointed for holding the same, the other members of the Committee shall amongst themselves elect a Chairman who must be an Independent Non-Executive Director to chair the meeting.

**4. SECRETARY**

- 4.1 The Company Secretary shall be the Secretary of the Committee.
- 4.2 The Company Secretary, in consultation with the Chairman of the Committee, shall draw up the agenda of the meeting. The agenda, together with the relevant support papers, shall be circulated at least five (5) business days or shorter notice where it is unavoidable, prior each meeting to the members of the Committee

**5. QUORUM AND MEETING PROCEDURES**

- 5.1 The Committee shall meet at least four (4) times each year. The Chairman may request for additional meetings as he considers necessary.
- 5.2 The Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables all persons to participate for the entire duration of the meeting. The technology to be used for the purpose of the meeting must be such that all persons taking part in the meeting must be able to communicate simultaneously with each of the other persons taking part in the meeting and may include telephone, television, video conferencing or any other audio and/or visual device which permits instantaneous communication.
- 5.3 A virtual meeting shall be deemed to constitute an Committee meeting provided the following conditions are met:-
- (a) all the Committee members for the time being entitled to receive notice of the Committee 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) a Committee member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously expressly notified the Chairman of the meeting of his/her intention to leave the meeting and a Committee member shall be conclusively presumed to have been present and have always formed part of the quorum during such a meeting until such notified time of his/her leaving the meeting.
- 5.4 The main venue of the meeting shall be the place where the Chairman is present or the Chairman of the meeting is present, if the meeting is not chaired by the Chairman.
- 5.5 The quorum for the meeting shall be two (2) members.

- 5.6 The Committee may, as and when deemed necessary, invite any Board members or any member of management or any employee of the Company, who the Committee thinks fit, to attend its meetings to assist and provide pertinent information as necessary.
- 5.7 A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes. In the event of an equality of votes, the Chairman has the casting vote.
- 5.8 A member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall abstain from deliberating and voting.
- 5.9 The Committee shall meet at least once a year with the internal and external auditors without the presence of any executive Board members, management or employees. The Chairman may request for additional meetings if they consider it necessary.

## **6. MINUTES**

- 6.1 The Company shall cause minutes of all proceedings of the Committee meeting to be entered in books for that purpose. Minutes of each meeting shall be signed by the Chairman of the meeting at which proceedings were held or by the Chairman of the next succeeding meeting.
- 6.2 Minutes shall be kept by the Company at the Registered Office and shall be open for inspection by any Committee member or Board member.
- 6.3 The minutes of each Committee meeting shall be distributed to the Board members for notation.

## **7. CIRCULAR RESOLUTION**

- 7.1 A resolution in writing signed by a majority of the Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted.
- 7.2 The resolution may consist of several documents in like form, each signed by one (1) or more Committee members. Such document may be accepted as sufficiently signed by a Committee member if it is transmitted to the Company by facsimile or other electrical or digital written message, which include a signature of the said Committee member.

## **8. REPORTING**

- 8.1 The Committee, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each Committee meeting. When presenting any recommendations to the Board for approval, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

## **9. AUTHORITY**

- 9.1 The Committee 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;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to all information and documents which are required to perform its duties, as well as to the internal and external auditors, and management of the Group;
- (d) obtain external professional advice and invite persons with relevant experience to attend its meetings, if necessary;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function; and
- (f) where the Committee is of the view that the matter, they reported to Board has not been satisfactorily resolved, resulting in a breach of the Main Market Listing Requirements of Bursa Securities (“MMLR”), the Committee shall promptly report such matter to Bursa Securities.

## **10. DUTIES AND RESPONSIBILITIES**

- 10.1 The duties and responsibilities of the Committee are as follows:-

### **10.1.1 Financial Reporting**

- (a) Review the quarterly results and the year-end financial statements of the Group, before submission to the Board for approval, focusing particularly on:-

- (i) changes in or implementation of major accounting policy changes;
  - (ii) significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions and how these matters are addressed;
  - (iii) significant adjustment arising from the audit;
  - (iv) major judgemental areas;
  - (v) the going concern assumption; and
  - (vi) compliance with accounting standards, regulatory and other legal requirements.
- (b) Review and provide advice on whether the financial statements taken as a whole, provide a true and fair view of the Company's financial position and performance.
- (c) Ensure that the financial statements are consistent with operational and other information, where there are significant matters requiring judgement.

#### **10.1.2 External Auditor**

- (a) Consider and recommend to the Board on the appointment or re-appointment of external auditor and to fix their fees (audit and non-audit), after assessing their independence and capabilities as well as the effectiveness of the external audit process.
- (b) Review the following and report the same to the Board:-
- (i) letter of resignation from the external auditor or proposal for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditor, if applicable; and
  - (ii) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.
- (c) Assess the suitability, objectivity and independence of the external auditor on an annual basis based on established policies and procedures. The policies and procedures should include the following considerations:-

- (i) criteria to decide on the appointment and re-appointment of the external auditor. The criteria should include an assessment of the competency, audit quality and resource capacity of the external auditor in relation to the audit. The assessment should also consider the information as presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Committee may engage the audit firm on matters typically covered in an 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) appropriateness of audit fees to support a quality audit;
  - (iii) non-audit services must be approved by the Committee before they rendered by the external auditor and its affiliates while taking into account the nature and external of the non-audit services and the appropriateness of the level of fees;
  - (iv) obtain 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; and
  - (v) annual evaluation on the performance of the external auditor by the management and the Committee.
- (d) Review the following with the external auditor 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 to the external auditor, including any difficulties or disputes with management encountered during audit; and
  - (v) external auditor's management letter and management's response thereto.

**10.1.3 Internal Audit**

- (a) Review the adequacy of the scope, resources and budget of the internal audit function, and that it has the necessary authority to carry out its work;
- (b) Review the internal audit plan, programme, and the reporting structure;
- (c) Review the findings of the internal auditor's reports, investigations undertaken and whether or not appropriate actions are taken by the management, based on the recommendations of the internal auditors;
- (d) Review the appraisal or evaluation on the performance of the internal audit function on an annual basis;
- (e) Take cognisance of resignations of internal audit staff members (for in-house internal audit functional) or the audit service provider (for outsourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit the reasons for resigning; and
- (f) Review any special audit which the Committee deems necessary.

**10.1.4 Risk Management and Internal Control**

- (a) Establish an adequate and effective Group's risk management and internal control framework;
- (b) Review and assess the Group's level of risk appetite and risk tolerance;
- (c) Review the risk management framework, policies and process, including identifying, managing, monitoring and mitigating the significant risks of the Group, and recommend for approval by the Board;
- (d) Review significant risks identified (including operational, financial, regulatory compliance, sustainability and reputational risks) and assess the mitigating actions put in place to manage these risks; and
- (e) Review the adequacy of resources for managing the risk management and internal control framework.



**10.1.5 Related Party Transactions (“RPT”), Recurrent RPT (“RRPT”) and Conflict of Interest (“COI”)**

- (a) Establish comprehensive procedures for identifying, evaluating, approving reporting RPT and RRPT, and monitoring COI situations;
- (b) Review and establish whether all RRPT have been carried out in accordance with the mandate approved by the shareholders and are on commercial terms no more favourable to the related parties than those available to the public; and
- (c) Review all non-recurring transactions or corporate proposals involving related parties, to ensure that they are in the best interest of the Company and are not to the detriment of the minority shareholders.

**10.1.6 Others**

- (a) Review financial related reports, Statement on Risk Management and Internal Control, and Corporate Governance statements as required by the MMLR for inclusion in the Annual Report;
- (b) Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Group (if any);
- (c) Obtain regular updates from the management regarding compliance matters;
- (d) Review regulatory and compliance reports and any other reports within the purview of the Committee;
- (e) Periodically review the adequacy and appropriateness of Anti-Bribery and Corruption Policy, and Whistleblowing Policy; and
- (f) Carry out any other functions that may be mutually agreed upon by the Committee and the Board.

**11. REVIEW OF THE WRITTEN TERM OF REFERENCE**

11.1 Any amendments to this term of reference to be approved by the Board. These 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.

11.2 This terms of reference will be published on the Company’s website.