CHOO BEE METAL INDUSTRIES BERHAD

TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

1. PURPOSE

The Audit and Risk Management Committee ("ARMC") shall be established by the Board of Directors ("Board") of Choo Bee Metal Industries Berhad ("Company") and its subsidiaries ("the Group") with the following responsibilities:

(a) oversee financial reporting process to ensure accurate and timely financial reporting and compliance with applicable financial reporting standards;

(b) evaluate the internal and external audit processes;

(c) oversee the risk management and internal control framework and policies of the Group and assessing the processes related to the Group's risks and control environment;

(d) oversee the Group compliance with applicable laws, rules and regulations and has in place an appropriate Code of Conduct;

(e) review related party transactions and conflict of interest situations that arose, persist or may arise within the listed issuer or group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate or mitigate such conflicts;

(f) oversee the implementation and monitoring of the Whistleblowing Policy and Procedures and Anti-Bribery and Corruption Policy for the Group, and ensuring effective administration thereof and reporting of any whistleblowing or bribery and corruption cases; and

(g) oversee the implementation and monitoring of sustainability matters of the Group.

2. AUTHORITY

2.1 The ARMC has the authority to carry out the functions as stated in its Terms of Reference and report to the Board with recommendations.

2.2 The ARMC in performing its duties, shall in accordance with the same procedures adopted by the Board:

(a) has the resources which are required to perform its duties;

(b) has full and unrestricted access to any employee and information pertaining to the Group;

(c) has direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity for the Group including convening meetings with them without the attendance of other Directors and employees of the Company, whenever deemed necessary; and

(d) be able to engage independent professional advisers or other advisers with relevant experience and expertise, whenever deemed necessary.

3. MEMBERSHIP

3.1 The ARMC shall be appointed by the Board from amongst its Directors (except Alternate Directors) upon recommendation by the Nomination and Remuneration Committee ("NRC").

3.2 The ARMC shall consist of not less than 3 members;

3.3 The ARMC shall comprise of all Non-Executive Directors, with a majority of them being Independent Directors.

(a) The ARMC shall elect a Chairman amongst its members who shall be an Independent Director. The Chairman of the ARMC should not be the Chairman of the Board.

(b) At least one (1) member of the ARMC must meet the criteria set under the Main Market Listing Requirements ("MMLRs") of Bursa Malaysia Securities Berhad as follows:

(i) must be a member of the Malaysian Institute of Accountants; or

(ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience post qualification working experience in accounting or finance and:
(aa) he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
(bb) he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(iii) fulfills such other requirements as prescribed or approved by the Exchange.

3.4 In the event of any vacancy in the ARMC resulting in the non-compliance of the MMLRs, the vacancy shall be fulfilled within three (3) months.

3.5 The ARMC members shall be financially literate and collectively:

(i) have sufficient understanding and knowledge of the Group's business and industry in which the Group operates; and

(ii) have the ability to understand key business and financial risks and related controls and control processes.

3.6 The ARMC shall undertake continuous professional development to keep abreast of relevant developments in areas within the ARMC's responsibilities.

3.7 The NRC shall review the term of office and performance of the ARMC and each of its members annually.

4. FUNCTIONS AND DUTIES

The ARMC shall carry out the following functions and duties:

4.1 Financial Statements

4.1.1 Review the quarterly results and year-end financial statements of the Company and Group prior to the approval by the Board, focusing particularly on the following:

(a) any changes in or implementation of major accounting policy changes;

(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) significant adjustments resulting from audit;

(d) the going concern assumption; and

(e) compliance with accounting standards and other legal requirements.

4.2 Risk Management and Internal Control

4.2.1 Review the principal risks and ensure implementation of appropriate risk management system to effectively identify, manage, monitor and mitigate the risks impacting the Group.

4.2.2 Review the Group's risk management procedures and guidelines, and monitor the Group's risk exposure against the risk appetite and risk tolerance approved by the Board.

4.2.3 Review the Risk Assessment Report which highlights any new or revised risks identified by risk owners as well as justification for any removal of risks.

4.2.4 Review and assess the impact of cyber risk when undertaking any new activities, including but not limited to any investment decision, merger and acquisition, adoption of new technology and outsourcing arrangements.

4.2.5 Assess the quality, effectiveness and efficiency of the internal control in systems and processes of the Group's operations, particularly those relating to areas of significant risks.

4.2.6 Review the evaluation by the Internal and External Auditors of the Group's system of internal control and Management's responses, and ensure that appropriate action is taken and thereafter report the same to the Board.

4.2.7 Provide oversight of sustainability reporting by ensuring the effective identification, management and reporting of material sustainability matters (i.e. risks and opportunities) affecting the economic, environmental and social aspects of the Group's businesses towards achievement of sustainability goals across the Group.

4.2.8 Review the Audit and Risk Management Committee Report, the Directors' declarations of Conflict of Interest or Potential Conflict of Interest, and the Statement on Risk Management and Internal Control for commendation to the Board for approval and for inclusion in the Annual Report.

4.2.9 Review the Guideline for raw risks, control effectiveness and residual audit risk rating on a yearly basis, and recommend to the Board for approval.

4.2.10 Review the threshold for legal case disclosure every 5 years or whenever the need arises, and recommend to the Board for approval.

4.3 Internal Audit

4.3.1 Review and approve the Internal Audit Charter which establishes the position of the Internal Audit function within the Group, its responsibilities, authority and scope of work.

4.3.2 Review and approve the Internal Audit Plan which details the audit objectives and scope of audit areas.

4.3.3 Review the Internal Audit Report presented on quarterly basis, ensuring that the scope of work is according to the approved audit plan and that the report highlights the significance of the audit issues raised, recommendations by the Internal Auditors, management's respond to the audit findings and status of actions taken by Management.

4.3.4 Evaluate the performance of the Internal Auditors, including annual assessment of their suitability and independence in performing their obligations, which is performed via a formal evaluation form.

4.3.5 Recommend any appointment or termination of Internal Auditors for Board's approval. To take cognisance of any resignation by Internal Auditors and provide them an opportunity to submit their reason for resigning.

4.3.6 Recommend the re-appointment of Internal Auditors, i.e. renewal of their contract for Board's approval.

4.3.7 Hold a private meeting with the Internal Auditors without the presence of the CEO and Management, at least once a year or where necessary.

4.4 External Audit

4.4.1 Review the following and report the same to the Board for deliberation and decision or approval:

(a) the Audit Planning Memorandum, which includes reporting responsibilities and deliverables, audit approach, scope and audit and non-audit fees for the statutory audits of the Group accounts;

(b) any significant audit findings, difficulties encountered or material weaknesses reported by the External Auditors' Management Letter together with Management's response to their findings;

(c) the annual audited financial statements of the Group to ensure compliance with the Companies Act 2016, MMLRs, applicable accounting standards and other legal and regulatory requirements;

(d) annual assessment of the performance of the External Auditors, including assessment of their suitability and independence in performing their obligations, which is performed via a formal evaluation form;

(e) any appointment, termination or resignation of External Auditors; and

(f) suitability of the External Auditors for re-appointment

4.4.2 Hold private meetings with the External Auditors without the presence of the CEO and Management, at least once a year or where necessary;

4.4.3 Consider the information presented in the Annual Transparency Report of the external audit firm in assessing the suitability, objectivity and independence of the said audit firm;

4.4.4 Recommend the nomination of a person or persons as External Auditors;

4.4.5 Ensure that the following approved policies set by the Company are adhered to accordingly:

(a) External Auditors Independence Policy

The engagement audit partner who is responsible for the financial statements of the Group are subject to a seven-year rotation with a three-year cooling-off period.

(b) Restriction in Appointment of External Audit Partner Policy

For corporate governance purposes governing independence, the Company is not allowed to appoint former audit partners of the present and past external auditor(s) to the Board of Directors or be employed by the Company within a three-year cooling-off period upon their last audit engagement with the Company. This is to ensure that the quality and independence of the audit is safeguarded by avoiding the potential threats which may arise when a member of an audit engagement team joins the Company (audit client) and is in a position to exert significant influence over the preparation of the Company's financial statements.

4.4.6 Review and approve non-audit services provided by the External Auditors and their affiliates, including the fee for such services, prior to the commencement of such services and extent of the services and their potential impact on the independence and objectivity of the External Auditors, in accordance with MCCG 2021 Guidance 9.3.

4.5 Compliance

4.5.1 Review the effectiveness of the system for monitoring compliance with applicable laws, regulations, rules, directives and guidelines, and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

4.5.2 Review the findings of any examinations by regulatory authorities and Management's responses thereto.

4.5.3 Obtain updates from the Management and the legal counsel regarding regulatory compliance matters.

4.5.4 Review the recurrent related party transactions to ensure they are transacted within the approved limits of the shareholders' mandate, and review any conflict of interest situations arising within the Group.

4.5.5 Review the Terms of Reference of the ARMC, NRC and Exco periodically and recommend any proposed amendments to the Board for approval, where applicable.

4.6 Whistleblowing and Anti-Bribery and Corruption

4.6.1 Review the Whistleblowing Policy and Procedures and Anti-Bribery and Corruption Policy for the Group and thereafter recommend to the Board for approval.

4.6.2 Exercise its powers and carry out its responsibilities as stated in the Whistleblowing Policy and Procedures and Anti-Bribery and Corruption Policy for the Group.

4.6.3 Report to the Board any unethical behaviour, illegal or improper action and/or wrongdoing in the Company, suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

4.7 Sustainability

4.7.1 Review the Group's sustainability governance structure, strategy and targets (if any), policies, materiality assessment process and outcomes as well as the Sustainability Statement, before recommending to the Board for approval.

4.7.2 Ensure the integration of sustainability-related risks and opportunities into the Group's enterprise risk management framework.

4.7.3 Review sustainability matters reported in the minutes of Exco meetings, including progress against sustainability targets, material sustainability-related risks and opportunities, and significant deviations requiring corrective action or Board's attention.

4.7.4 Monitor Management's approach to addressing material sustainability matters and opportunities, including the implementation of sustainability strategies and policies, and performance against targets.

4.7.5 Scrutinise the links between the Company's material sustainability matters and its financial performance.

4.7.6 Oversee assurance activities relating to the Company's sustainability matters and reporting processes.

4.7.7 Review the proposed appointment of external consultants for sustainability reporting and related matters, including the scope of services and fees, and recommend the appointment to the Board.

4.8 Other Responsibilities

4.8.1 Perform any other duties as may be mutually agreed by the ARMC and the Board from time to time.

5. MEETINGS

5.1 Meetings of the ARMC shall be held at least four (4) times during the financial year of the Company i.e. on a quarterly basis with additional meetings to be convened as and when required by any member of the ARMC, the Internal Auditor or the External Auditor to consider any matters brought up by them.

5.2 Meetings of the ARMC must not be combined with the main Board meetings to enable objective and independent discussion during the meeting.

5.3 If an ARMC member is unable to be physically present at a meeting, the ARMC member may choose to participate at a meeting by way of video or tele-conferencing or by means of other communication equipment so that the said member shall be deemed to be present at the meeting.

5.4 Written notice of the meeting together with the agenda shall be given to the members of the ARMC and the Internal Auditor, and to the External Auditor, when required.

5.5 The quorum for a meeting of the ARMC shall be two (2) members, whom shall be Independent Directors.

5.6 In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.

5.7 Each member of the ARMC is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gained the majority votes shall be the decision of the ARMC. In the event of an equality of votes, the Chairman of the ARMC shall be entitled to a second or casting vote.

5.8 A resolution in writing described as "Circular Resolutions of the ARMC" signed by a majority of the ARMC members shall be valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The resolution in writing may be accepted as sufficiently signed by the ARMC member if transmitted to the Company via facsimile or other forms of electronic communications.

5.9 The meetings of the ARMC shall normally be attended by the Chief Executive Office, Chief Financial Officer and Chief Risk Officer. The Internal Auditor shall attend the meeting to table the Risk Assessment Report, the Internal Audit Report and the Internal Audit Plan, if any. A representative of the External Auditors shall attend the meeting to present their Audit Planning Memorandum, Audit Closing Memorandum and as and when required.

5.10 The ARMC may request other Directors, employees, legal counsels and consultants to participate in meetings, when necessary.

5.11 The Secretary of the ARMC shall be the Company Secretary of the Company.

5.12 Minutes of ARMC meeting must be separate from that of the main Board meeting.

5.13 The Secretary shall maintain minutes of the proceedings of the meetings of the ARMC and circulate such minutes to all members of the Board. Minutes of the ARMC shall be tabled to the Board for notation.

5.14 The ARMC, through its Chairman, shall report matter(s) discussed and deliberated by ARMC to the Board, which requires attention and approval of the Board. When presenting any recommendation to the Board, the ARMC will provide such background and supporting information as may be necessary for the Board to make an informed decision.

6. REVIEW OF TERMS OF REFEENCE ("TOR")

6.1 The TOR of the ARMC shall be reviewed periodically and made available on the Company's website in accordance with Paragraph 15.11 of Bursa Malaysia's Main Market Listing Requirements.

6.2 The TOR of the ARMC is available on the Company's website at www.choobee.com.

7. DEEMING PROVISIONS

The provisions under this Terms of Reference have been drafted in a manner to incorporate the provisions under the MMLRs and other statutes, regulations and guidelines applicable to the ARMC (if any). In the event the applicable provisions of the MMLRs and/or relevant governing statutes, regulations and guidelines relating to the ARMC are from time to time amended, modified or varied, such amendments, modifications and variations shall be deemed inserted herein whereupon this Terms of Reference shall be read and construed subject to and in accordance with the amended, modified or varied MMLRs, statutes, regulations and guidelines.

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