



## **1. OBJECTIVE**

The primary objective of the Audit and Risk Management Committee (“**ARMC**” or “**Committee**”) of Sik Cheong Berhad (“**Sik Cheong**” or the “**Company**”) is to establish a documented, formal and transparent procedure to assist the Board of Directors of the Company (“**Board**”) in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.

## **2. COMPOSITION**

- i. The members of the ARMC shall be appointed by the Board from among its members and shall comprise no fewer than three (3) members, whereby all members must be Non-Executive Directors, are financially literate and are able to understand matters under the purview of the Committee including the financial reporting process, with a majority of them being Independent Non-Executive Directors and at least one (1) member of the Committee:
  - a. must be a member of the Malaysian Institute of Accountants; or
  - b. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:
    - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - he 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
  - c. fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“**Bursa Securities**” or the “**Exchange**”).
- ii. No Alternate Director shall be appointed as a member of the Committee.
- iii. The Committee shall elect a chairman from amongst its members (“**Chairman**”) who shall be an Independent Non-Executive Director. The position of the chairman of the Board and the Chairman of the Committee shall be held by different individuals. The Chairman of the Board must not be a member of the ARMC.
- iv. If the elected Chairman is not able to attend a meeting, the remaining members present shall elect one of themselves as chairman of the meeting. The elected chairman shall be an Independent Non-Executive Director.
- v. The former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc) of the Company, if any, shall observe a cooling-off period of at least three (3) years before being eligible to be appointed as a member of the Committee.
- vi. If there is vacancy in the ARMC resulting in non-compliance with paragraph 2(i) above, the Board shall fill the vacancy within three (3) months from the date of such non-compliance and appoint such number of new members as may be required to ensure compliance.
- vii. The Nomination Committee shall conduct an annual review of the tenure and performance of the ARMC and its members to assess whether they have fulfilled their obligations as outlined in this Terms of Reference.



- viii. All members of the ARMC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

### **3. MEETINGS**

#### **i. Meetings**

- a. Meetings shall be held no fewer than four (4) times a year. However, additional meetings may be called at any time depending on the scope of activities of the Committee. If any issues requiring the Committee's decision arise between meetings, such issues may be resolved through written resolutions of the Committee. A written resolution in writing signed or approved by a majority of the members of the Committee entitled to vote and sign on the resolution, if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the Committee member shall be as valid and effectual as if it were a resolution duly passed at a ARMC meeting. Any such resolution may consist of several documents in like form, each signed by one (1) or more ARMC members.
- b. Subject to the notice and quorum requirements as provided in this Terms of Reference, meeting of the Committee may be held and conducted through the telephone or any communication equipment which allows all persons participating in the meeting to hear and speak with each other. Participation in a meeting in the aforesaid manner shall constitute presence in person at such meeting and shall be entitled to vote and be counted in a quorum accordingly.
- c. Other Board members, senior management, internal and external auditors may be invited to attend meetings.
- d. For the Committee's meetings (except in the case of an emergency), reasonable notice shall be given in writing to all the members of the Committee.
- e. Upon the request of the external auditors, the Chairman of the ARMC shall convene a meeting of the ARMC to consider any matter the external auditors believe should be brought to the attention of the ARMC, the Board or the shareholders.
- f. A matter put to vote at the Committee's meetings shall be decided by a simple majority of the votes, each member of the Committee having one (1) vote. In the case of an equality of votes, where two (2) members form a quorum, the chairman of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote. Otherwise in the case of an equality of votes, the chairman has a second or casting vote.
- g. 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.

#### **ii. Notice of Meeting**

Unless otherwise agreed, notice of each meeting containing the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five (5) working days, or shorter notice where it is unavoidable before the date of the meeting.



**iii. Quorum**

A minimum of two (2) members present shall form the quorum, the majority of members present must be Independent Non-Executive Directors.

**iv. Secretary of the Committee**

The Company Secretary(ies) shall be the secretary of the Committee. The Secretary(ies) shall issue and circulate the notice and minutes of the Committee to all members of the Committee.

**v. Minutes of the Committee Meeting**

Every meeting of the Committee shall be minuted either by the Company Secretary(ies) or Assistant Company Secretary or any other person approved by the Committee and such minutes shall be confirmed by the Committee at the next succeeding Committee meeting.

The Minutes of each meeting shall be signed by the Chairman of that meeting or by the Chairman of the next succeeding meeting and shall be evidence of the proceedings that the meeting was duly convened and held. Minutes of each meeting shall be tabled to the Board for notation and all minutes shall be kept at the Registered Office of the Company.

The Chairman shall update the Board on the activities undertaken by the Committee at each Board meeting.

**4. RIGHTS OF THE COMMITTEE**

- i. The Committee is authorised by the Board to investigate any matter within this Terms of Reference. It shall have full and unrestricted access to any information pertaining to the Company and its subsidiaries (the “**Group**”) and shall have the resources it requires to perform its duties. All employees of the Group are required to comply with the requests made by the Committee.
- ii. The Committee is authorised by the Board to obtain external legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise, whenever it deems necessary, the expenses of which will be borne by the Company.
- iii. The Committee shall have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
- iv. The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary, in order to enable the Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter the external auditors or internal auditors may wish to bring up to the attention of the Committee.
- v. The Internal Auditors report directly to the Committee and shall have direct access to the Chairman on all matters of control and audit. All proposals by management regarding the appointment, transfer and removal of senior staff members of the internal audit function of the Group shall require prior approval of the Committee. The Committee is also authorised by the Board to obtain information on any resignation of internal audit staff members and provide the staff member an opportunity to submit his reasons for resigning.



Notwithstanding anything contrary hereinbefore stated, the Committee does not have executive powers and shall report to the Board on matters considered and its recommendations thereon, pertaining to the Group.

## **5. FUNCTIONS OF THE COMMITTEE**

The functions of the Committee are as follows:

### **External Auditors**

- i. To consider any matters concerning the appointment and re-appointment, the audit and non-audit fees and any questions of resignation or dismissal of external auditors.
- ii. To ensure and annually assess the suitability, objectivity and independence of external auditors, taking into consideration:
  - a. the adequacy of the experience, competence, audit quality and resource capacity of the external auditor in relation to the audit;
  - b. the persons assigned to the audit;
  - c. the accounting firm's audit engagements;
  - d. the size and complexity of the Company being audited;
  - e. the number and experience of supervisory and professional staff assigned to the particular audit;
  - f. the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
  - g. 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.
- iii. To appropriately communicate the Committee's insights, views and concerns about relevant transactions and events as well as concerns on matters that may have an effect on the financials or audit of the Company to the external auditors.
- iv. To ensure coordination between the external auditors and the internal auditors.
- v. To review with the external auditors:
  - a. their audit plan, scope and nature of the audit of the Group;
  - b. their evaluation and findings of the system of risk management and internal controls;
  - c. their audit reports on financial statements;
  - d. the management letter and management's response with regard to problems and reservations arising from their audits;
  - e. the coordination of audits where more than one audit firm is involved; and
  - f. any other matters that the external auditors may wish to discuss (in the absence of management where necessary).



- vi. To review the Annual Transparency Report (“**ATR**”) of the external auditors, if applicable, or to engage with audit firms (for firms that are not required to issue ATR) on matters in relation to their governance and leadership structure as well as measures undertaken by the audit firm to improve the audit quality and manage risks.
- vii. To review the assistance given by the management and employees of the Group to the external auditors, including any difficulties or disputes with management encountered during audit.
- viii. To review and monitor the provision of non-audit services provided by the external auditors and/or its affiliate firms, including the nature of the non-audit services, fee of the non-audit services individually and in aggregate relative to the external audit fees, and safeguards deployed to eliminate or reduce any threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided.
- ix. To review any letter of resignation from the external auditors of the Company.
- x. To review whether there is a reason (supported by grounds) to believe that the Company’s external auditors are not suitable for re-appointment.
- xi. To recommend the nomination of a person or persons as external auditors of the Company.

#### **Review of Statements**

To ensure that the external auditors review a statement made by the Board with regards to the state of risk management and internal control of the Company and report the results thereof to the Board of the Company.

#### **Right to request for a meeting**

To ensure that upon request of the external auditors, the Chairman must convene a meeting of the Committee to consider any matter that the external auditors believe should be brought to the attention of the Board or the shareholders.

#### **Internal Audit Function**

- i. To review and assess the adequacy of the scope, functions, competency, experience and resources of the internal audit functions of which the internal auditors should report directly to the Committee.
- ii. To ensure that the internal auditors are independent and objective, and have the relevant qualifications and be responsible for assuring the Committee that the internal controls are operating effectively.
- iii. To receive reports directly from the persons responsible for the internal audit.
- iv. To appropriately communicate the Committee’s insights, views and concerns about relevant transactions and events as well as concerns on matters that may affect the financials or audit of the Company to the internal auditors.
- v. To ensure coordination between the internal auditors and the external auditors.
- vi. To review the internal audit plan, processes, the results of internal audit assessments or investigations undertaken and whether or not appropriate action is taken on the recommendations made.



- vii. To review the adequacy and effectiveness of the Group's internal control systems, anti-corruption and whistle-blowing as evaluated, identified and reported by the Management, internal or external auditors as well as to review whether actions taken to ratify the same are appropriate or timely.
- viii. To review whether the internal audit function is carried out in accordance with a recognised framework.
- ix. To review and decide on the budget allocated to the internal audit function.

### **Committee Report**

- i. To ensure that a Committee Report is prepared at the end of each financial year that complies with subparagraphs (ii) and (iii) below.
- ii. To ensure that the Committee Report is set out in the Annual Report of the Company.
- iii. To ensure that the Committee Report includes the following:
  - a. the composition of the Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
  - b. the number of Committee meetings held during the financial year and details of attendance of each Committee member;
  - c. a summary of the work of the Committee in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities; and
  - d. a summary of the work of the internal audit function.
  - e. a summary of any conflict of interest or potential conflict of interest situation reviewed by the Committee pursuant to Rule 15.12(1)(h) of the ACE Market Listing Requirements of Bursa Securities ("**Listing Requirements**") (excluding a related party transaction), and the measures taken to resolve, eliminate or mitigate such conflicts.

### **Financial Reporting**

- i. To ensure that the Committee is fully informed about significant matters related to the Company's audit and its financial statements and addresses these matters.
- ii. To review the quarterly results and year-end financial statements of the Group before the approval by the Board, focusing particularly on:
  - a. any changes in or implementation of major accounting policy changes;
  - b. significant matters highlighted including financial reporting issues, a significant judgement made by management, significant and unusual events or transactions and how these matters are addressed;
  - c. significant adjustments arising from the external audit;
  - d. litigation that could materially affect financial results;
  - e. the appropriateness of the going concern assumption used in the preparation of the financial statements;



- f. compliance with accounting standards and other legal and regulatory requirements;
- g. corporate disclosure policies and procedures of the Company (as they pertain to accounting, audit and financial matters);
- h. whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance;
- i. demonstrating an appropriate level of vigilance and skepticism towards, among others, the detection of any financial anomalies or irregularities in the financial statements; and
- j. making appropriate recommendations relating to financial, audit and compliance findings to the Board for approval, where necessary.

**Related Party Transactions (“RPTs”), Recurrent Related Party Transactions (“RRPTs”) and Conflict of Interest (“COI”)**

- i. To establish comprehensive procedures for identifying, evaluating, approving and reporting all RPT and RRPT, and COI situations.
- ii. To review and report any RPTs, RRPTs and COI situations that arose, persist or may arise within the Company 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.
- iii. To review and ensure that related party transactions are conducted on arms' length basis and on normal commercial terms in the ordinary course of business and based on terms that are fair to the Group and are not to the detriment of the minority shareholders and make recommendations to Board.
- iv. 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 make recommendations to Board.

**Risk Management**

- i. Assisting the Board to effectively discharge its risk oversight responsibilities by monitoring and overseeing the Group's risk management and processes in identifying, evaluating, monitoring and managing significant risks within the Group.
- ii. Reviewing the risk profiles in respective business units and the Group.
- iii. Identifying the key risks faced by the Group and respective business units and major changes and the management action plans to manage risks.
- iv. Reviewing and assessing the adequacy and effectiveness of the systems of internal control, anti-corruption, whistle blowing, governance process and accounting control procedures and appropriate systems in place to manage and mitigate risks.
- v. Reviewing the Group's risk managing policy and implementation of the risk management framework.
- vi. To review the Statement on Risk Management and Internal Control (which has been reviewed by the external auditors) for inclusion in the Company's Annual Report and recommend for approval by the Board.





### **Reporting of breaches to the Exchange**

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

### **Compliance and Other Matters**

- i. To verify the allocation of options under a share issuance scheme or the allocation of shares according to any incentive plan for employees of the Group to comply with the criteria which are disclosed to the employees.
- ii. To review and conduct an annual performance evaluation of the internal and external auditors, in respect of each financial year under review; to monitor the performance, suitability, objectivity and independence of the internal and external auditors.
- iii. To oversee the implementation of the Whistleblowing Policy and Procedures of the Group, as well as review major findings of any internal investigations and management responses thereon.
- iv. To report to the Board any 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.
- v. To carry out such other functions or assignments as may be delegated by the Board from time to time.

## **6. REPORTING RESPONSIBILITIES**

- i. The Chairman shall report to the Board on its proceedings after each meeting on all matters within the scope of its duties and responsibilities.
- ii. The Committee shall make whatever recommendations to the Board it deems appropriate, on any area within its terms of reference and/or where action or improvement is needed.
- iii. The Committee shall report to the Board on its activities, based on these Terms of Reference.

## **7. GENERAL MEETINGS**

The Chairman of the Committee shall attend the general meetings of the Company to respond to any queries or concerns regarding the Committee's functions and responsibilities and provide updates on its activities.

## **8. REVIEW OF THE COMMITTEE**

The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee of the Company at least once annually to determine whether the ARMCMC and its members have carried out their duties in accordance with this Terms of Reference.





## **9. REVIEW OF THE TERMS OF REFERENCE**

The Committee is responsible for periodically reviewing this Terms of Reference and recommending any necessary changes to ensure their continued relevance and viability. Such changes may be necessary in response to updates to the Malaysian Code on Corporate Governance, Listing Requirements, or other regulatory requirements.

This Terms of Reference should also be reviewed and updated if there are changes to the Company's direction or strategies that could impact the Committee's role and ability to meet its objectives. Any recommended changes will be submitted to the Board for approval. This Terms of Reference must be made available on the Company's website.

This Terms of Reference (Version No. 1) was reviewed and adopted by the Board on 28 December 2023.