

## **Choo Bee Metal Industries Bhd**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

#### **Membership**

The Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:

- (a) the audit and risk management committee must be composed of no fewer than 3 members;
- (b) all the audit and risk management committee must be non-executive, with a majority of them being independent directors; and
- (c) at least 1 member of the audit and risk management committee;
  - (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    - (aa) he must have passed the examinations specified in Part 1 of the 1<sup>st</sup> 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 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - (iii) fulfills such other requirements as prescribed or approved by the Exchange.

The members of the Committee shall elect a chairman from among their number who shall be an independent director.

The Board shall, within 3 months of a vacancy occurring in the Committee which result in the number of members reduced to below 3, appoint such number of new members as may be required to make up the minimum number of 3 members.

The Nominating Committee shall review the term of office and performance of the Committee and each of its members annually.

#### **Rights**

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company:

- (a) have 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 any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

## **Functions**

The functions of the Committee shall include the following:

### **(A) External Auditors**

- (1) review the following and report the same to the Board for deliberation and approval or decision:
  - (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) the results of their audit report and 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, Main Market Listing Requirements, 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 letter of resignation from External Auditors; and
  - (f) the suitability of the External Auditors for re-appointment
- (2) hold private meetings with the External Auditors without the presence of the CEO, Management and Internal Auditors.
- (3) recommend the nomination of a person or persons as External Auditors;
- (4) 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 five-year rotation with a five-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 key audit partners of the present and former external auditor(s) to the Board of Directors or be employed by the Company within a two-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.

### **(B) Internal Auditors**

- (1) review the following and report the same to the Board for deliberation and approval or decision:
  - (a) the Internal Audit Plan which detailed the audit areas, audit scope and timing of the audit;
  - (b) the results of the Internal Audit Report with Management's response to their findings, the corrective actions taken and follow-up on previous audit findings, if any;
  - (c) annual assessment of the performance of the Internal Auditors, including assessment of their suitability and independence in performing their obligations, which is performed via a formal evaluation form;
  - (d) any letter of resignation from Internal Auditors; and
  - (e) the suitability of the Internal Auditors for re-appointment i.e. renewal of their contract.
- (2) recommend the nomination of a person or persons as Internal Auditors;

**(C) Risk Management**

- (1) review the results of the Internal Auditors' independent assessment of the risks identified, evaluated and managed by risk owners which are detailed in the Risk Assessment Report which is prepared by the Internal Auditors on quarterly basis;
- (2) review the risk profiles of the Group, including action plan and strategies to address these risks identified;
- (3) review the risk policy and risk appetite of the Group and recommend to the Board for approval and inclusion in the Statement on Risk Management and Internal Control; and
- (4) review the threshold for legal case disclosure and recommend to the Board for approval.

**(D) Financial Reporting**

- (1) review the unaudited quarterly reports and ensured they were prepared in accordance with the Malaysian Financial Reporting Standard (MFRS) 134 : Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements before recommending to the Board for approval.
- (2) deliberate on significant matters highlighted including financial reporting issues, significant judgements made by management, and how these matters are addressed.

**(E) Related Party Transactions**

- (1) review the related party transactions to ensure they are transacted within the approved limits of the shareholders' mandate on recurrent related party transactions and also conflict of interest situations which arose within the Group.

**(F) Annual Report**

- (1) review the Statement on Risk Management and Internal Control and recommend to the Board for approval and inclusion in the Annual Report; and
- (2) present the Audit Committee Report to the Board for approval and inclusion in the Annual Report.

**Meetings**

Meetings of the Committee shall be held not less than four (4) times a year. The Committee shall meet with the external auditors without executive board members present at least twice a year. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable. The quorum for a meeting of the Committee shall be two (2) Provided Always that the majority of members present must be independent directors.

Other Board members and employees may attend any particular meeting only at the Committee's invitation.

The Company Secretary shall be the Secretary of the Committee.

**Reporting Procedures**

The Secretary shall maintain minutes of the proceedings of the meetings of the Committee and circulate such minutes to all members of the Board.