

AUDIT COMMITTEE

Membership

Chairman: Ang Nyee Nyee
(Independent Non-Executive Director)

Members: Tan Ah Lai
(Independent Non-Executive Director)
Nurulhuda Binti Abd Kadir
(Independent Non-Executive Director)

TERMS OF REFERENCE

Objectives

The Audit Committee is established as a committee of the Guan Chong Berhad Board of Directors (“the Board”).

The primary objective of the Audit Committee is to assist the Board in fulfilling their responsibilities relating to accounting and reporting practices of the Group. In addition, the Audit Committee will:-

- oversee and appraise the quality of the audit conducted by the Company’s external auditors and where applicable, the internal auditors in order to strengthen the confidence of the public in the Group’s reported results;
- maintain, by scheduling regular meetings, open lines of communication amongst the Board, the external auditors and where applicable the internal auditors, to exchange view and information as well as to confirm their respective authority and responsibilities;
- provide emphasis on the internal audit function by increasing the objectivity and independence of the internal audit personnel and provide a forum for discussion that is independent of management;
- review related party transactions entered into by the Company and the Group to ensure that such transactions are undertaken on the Group’s normal commercial terms and that the internal control procedures with regards to such transactions are sufficient;
- provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the Company’s administrative, operating and accounting controls; and

Objectives (cont'd)

The primary objective of the Audit Committee is to assist the Board in fulfilling their responsibilities relating to accounting and reporting practices of the Group. In addition, the Audit Committee will (cont'd):-

- act upon the Board's request to investigate and report on any issues or concerns on the management of the Group.

Composition

The Audit Committee shall be appointed by the Board from among their members and composed no fewer than three (3) members. All the Audit Committee members must be Non-Executive Directors of which a majority shall be Independent Directors. No alternate director is appointed as a member of the Audit Committee.

At least one (1) Member of the Audit Committee:-

- must be a Member of the Malaysian Institute of Accountants (MIA); or
- if he is not a Member of MIA, 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
- he must have
 - a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification experience in accounting or finance; or
 - at least seven (7) years' experience being a chief financial officer of a corporation or having the function primarily responsible for the management of the financial affairs of a corporation.
- fulfils such other requirements as prescribed or approved by the Exchange.

If the company were to appoint a former partner of external auditor of the company as a member of the Audit Committee, he/she shall observe a cooling-off period of at least three years before being appointed.

The Members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director. The Chairman of the Audit Committee should not be the Chairman of the Board.

The appointment of a Audit Committee member shall automatically be terminated in case of dismissal or resignation from his/her membership of the Board. Members of the Remuneration Committee may relinquish their membership in the Committee with prior written notice to the Board.

Composition (cont'd)

In the event that a member of the Committee vacates office resulting in the total number of members being reduced to below three (3), the Board shall, within 3 months of that event, appoint a new member to make up the minimum number of three (3).

Meetings

The Audit Committee will meet at least once a quarter and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting if a request is made by any Committee member, the Company's Managing Director/Chief Executive Officer, the external auditors or the internal auditors where applicable. However, the Audit Committee should meet with the external auditors without the presence of the executive directors, at least twice a year.

Audit committee meeting could be held either physical or virtual, by means of telephone conference, videophone conference or any similar or other communications equipment and such participation in a meeting shall constitute presence in person at such meeting.

Notice of the meeting, agenda and relevant supporting information shall be distributed to the Committee members and those who are required to attend the meeting at least five (5) business days prior to the scheduled meeting.

The Chairman shall be responsible for calling meetings, establishing agenda of the meetings and supervising the conduct thereof. The Chairman may appoint a secretary responsible for keeping the minutes of the meetings and circulating them to the members of the Audit Committee and other members of the Board after the meeting. The Chairman shall report the findings and recommendations to the Board on any matters that need to be brought to the Board's attention and approval during the Board meeting.

Decisions at such meeting can be decided on a show of hands on a majority of votes, any resolution in writing, signed or assented to by a majority members of the Audit Committee who are Independent Directors shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held, and may consist of several documents in the like form, each signed by one or more Members of the Committee.

A quorum for a meeting shall be two (2) members with the majority of the members present shall be Independent Directors. The Board must prepare an Audit Committee Report at the end of the financial year in the Annual Report of the Company which summarises the Audit Committee's activities during the year and the related significant findings noted.

The Chairman shall present at the annual Shareholders' Meeting to answer any shareholder's questions on the Committee's activities.

Authority

The Audit Committee is authorised to investigate any activity of the Company within its Terms and Reference and all employees shall be directed to co-operate with any request made by the Audit Committee. The Audit Committee shall have unrestricted access to any information pertaining to the Company and have direct communication channels with the external and internal auditors, when applicable and to the senior management of the Group. The Audit Committee shall be empowered to retain persons or experts having special competence as necessary to assist the Audit Committee in fulfilling its responsibilities.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:

- To consider and recommend the appointment or re-appointment of the external auditors, the audit fees and questions of resignation or dismissal;
- To review the appropriateness of external audit fees to support quality audit;
- To set the criteria used to guide decisions on appointment and re-appointment of the external auditor which should include an assessment of the competence, audit quality and resource capacity of the external auditor in relation to the audit, including the review of Annual Transparency Report of the external auditors, if available;
- To conduct an annual evaluation on the performance of the external auditor and to perform follow-up measures on areas requiring improvement, where required;
- To obtain written assurance from external auditors annually on their independence throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements and to ensure auditors confirm that they are not aware of any relationship between them and the Group that may reasonably impair their independence;
- To oversee all matters pertaining to audit including the review of the audit scope and audit plan based on the external auditors' presentation of audit strategy and plan, audit report with the external auditors and the assistance given by the employees of the Company/Group to the external auditor;
- To review the financial statements of the Company/Group, and to discuss problems and reservations arising from the interim and final results, and any matters that the external auditors may wish to discuss (in the absence of the management where necessary);

Duties and Responsibilities (cont'd)

The duties and responsibilities of the Audit Committee are as follows (cont'd):

- To review the unaudited financial results announcements before recommending them for Board's approval;
- To 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, focus on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - (iii) compliance with accounting standards and other legal requirements;
- To convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary;
- To develop and review for recommendation to the Board, the Company's policy in relation to the provision of non-audit services by the external auditors and/or its network firms, which takes into consideration:
 - whether the skills and experience of the audit firm make it a suitable service provider for non-audit services;
 - whether there are safeguards to eliminate or reduce to an acceptable level any threat to the objectivity or independence of the external auditors in the conduct of external audit resulting from non-audit services provided by the external auditors; and
 - the nature of the non-audit services and the fee level or threshold permitted in relation to the audit fees payable to the external auditors and/or its network firms for each financial year;
- To review the non-audit services provided by the external auditors and/or its network firms to the Group for the financial year, including the nature of the non-audit services, fee level or threshold of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;

Duties and Responsibilities (cont'd)

The duties and responsibilities of the Audit Committee are as follows (cont'd):

- In relation to the internal audit function :
 - to review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its works;
 - to review internal audit function continuous professional development (in the profession, relevant industry and regulations)
 - to review the internal audit programme, results of the internal audit process and implementation of the recommendations of the internal audit function through follow up audit reports as to ensure that appropriate action is taken on these recommendations;
 - to suggest on additional improvement opportunities in the areas of internal control, systems and efficiency improvement;
 - to review the appointment or re-appointment of the internal auditors, the audit fee and questions of resignation or dismissal; and
- to review the Statement on Risk Management and Internal Control to be published in the Annual Report;
- To review any related parties transactions that may arise within the Company or the Group;
- To exercise its power and carry out its responsibility as may be required from time to time under the whistle-blowing policy as and when necessary;
- To ensure that the Group is in compliance with the regulations of the Companies Act 2016, applicable approved accounting standards, Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Malaysia code on Corporate Governance and other legislative and reporting requirements;
- To review the Corporate Governance Overview Statement, Corporate Governance Report and Audit Committee Report, recommend their adoption to the Board, deliberate the disclosure requirements for sustainability statement and note the management action plan;
- To identify and direct any special project or investigate and to report on any issues or concerns in regards to the management of the Group;

Duties and Responsibilities (cont'd)

The duties and responsibilities of the Audit Committee are as follows (cont'd):

- To commission such investigations or reviews relevant to its role as it sees fit;
- To review processes and controls that are in place for effective and efficient financial reporting and disclosures under the financial reporting standards;
- To promptly report to the Exchange if the committee is of the view that a matter reported by it to the board of directors of a listed issuer has not been satisfactorily resolved resulting in a breach of these Requirements;
- To review, assess and oversee the Group's Anti-Bribery and Corruption Management ("ABCM") and Anti-Bribery and Corruption ("ABC") Policy to ensure its adequacy and effectiveness is in line with the ABC commitment and risk appetite of the Board, as well as the Group's mission, vision, strategies and business objectives; and
- To review the arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters, no reprisal for genuine reporting, confidentiality and protection of whistleblower and appropriate follow up action.

Continuous Professional Development

- All members of the Audit Committee should possess a wide range of necessary skills and undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules in order to discharge its duties; and
- All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process

Frequency of Review

The Audit Committee shall assess, review and update the Terms of Reference periodically. The Audit Committee may recommend amendments for the Board's approval when there are changes to the regulatory requirements or changes to the direction or strategies of the Group that may affect the Audit Committee's role.