

CAELY HOLDINGS BHD.

TERMS OF REFERENCE OF THE RISK MANAGEMENT AND AUDIT COMMITTEE

OBJECTIVE

The principal objective of the Risk Management and Audit Committee is to assist the Board in fulfilling the following key responsibilities:

- i. Assessing the risk management policies and procedures and internal control;
- ii. Overseeing financial reporting;
- iii. Evaluating the internal and external audit process; and
- iv. Reviewing conflict of interest situations and related party transactions.

COMPOSITION

- a. The Committee is appointed by the Board and consists of at least three members. All the committee members must be Non-Executive Directors, with a majority of them being Independent Directors to fully comply with paragraph 15.09 of the Listing Requirements of Bursa Malaysia Securities Bhd ("Bursa Securities").
- b. The Chairman is one of the appointed Independent Non-Executive Directors. In the absence of the Chairman, the meeting shall be chaired by an Independent Director.
- c. At least one (1) member is:
 - i. a member of the Malaysian Institute of Accountants ("MIA"); or
 - ii. if he is not a member of the MIA, he must have at least three (3) years of working experiences and:
 - He must have passed the examination specified in Part 1 of the 1st Schedule of the Accountant Act 1967; or
 - He must be a member of one of the Association of Accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - Fulfills such other requirements as prescribed or approved by Bursa Securities.
- d. No Alternate Director shall be appointed as a member of the Committee.
- e. In the event of any vacancy resulting that the number of members is reduced to below three, the vacancy must be filled within three (3) months.

The vacancy of Chairman must be filled within three (3) months.
- f. The former key audit partner is required to observe a cooling-off period of at least two (2) years before being appointed as a member of the Risk Management and Audit Committee (if any) pursuant to Practice 8.2 of Malaysian Code on Corporate Governance 2017.

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QUORUM AND FREQUENCY OF MEETING

- a. A quorum shall be the majority of Independent Non-Executive Directors.
- b. Meetings shall be held at least four times each calendar year, usually preceding the meetings of the Board.
- c. The external auditors and internal auditors may request a meeting if they consider it necessary in any Committee meeting.
- d. At least once a year, the Committee shall meet with the external auditors without any executive member or the Management present.
- e. The Managing/Executive Director and the Finance Manager/Accountant shall attend the quarterly meetings although they do not have any voting rights.
- f. The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.

SECRETARY

The Company Secretary (or any one or more of, if more than one Company Secretary) or such other approved person shall be the secretary of the Committee (the "Committee Secretary"). The Secretary shall provide assistance to the members of the Committee, including but not limited to assist the Committee Chairman in planning the work of the Committee, formulating meeting agendas, maintenance of Committee minutes, collation and distribution of information required by the Committee and provide practical support, as and when needed.

AUTHORITY

- i. The Committee shall have explicit authority to investigate any matter within its terms of reference. It shall have the authority to seek any information it requires from any employee of the Group and all employees are directed to cooperate with any request made by the Committee.
- ii. The Committee shall have full and unrestricted access to any information pertaining to the Company and all the resources required to perform its duties. The Committee can seek for external legal or other independent professional advice it considers necessary.
- iii. The Committee shall have direct communication channels with the internal and external auditors and be able to convene meetings with internal and/or external auditors, excluding the attendance of other Directors and employees of the Group whenever deemed necessary.
- iv. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee shall report such matter to Bursa Securities.

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DUTIES AND RESPONSIBILITIES

The following are the main duties and responsibilities of the Committee, and where appropriate, the Committee shall report to the Board on the following:

a. Risk Management & Internal Control

- i. Review the adequacy and effectiveness of risk management, internal control and management information systems, including compliance with applicable laws, rules, corporate governance requirements and guidelines.
- ii. Review the Group's risk management policy and implementation of the risk management framework.
- iii. Review and recommend to the Board, the Director's Statement on Risk Management and Internal Control and any changes thereto.

b. Financial Reporting

- i. Review the quarterly results and annual financial statements before recommendation to the Board for approval for release to Bursa Securities, focusing particularly on:
 - Significant matters highlighted including the financial reporting issues, significant judgments made by management, significant and unusual events or transactions or exceptional activities and how these matters are addressed.
 - Any changes in or implementation of accounting policies and practices;
 - Significant or material adjustments with financial impact arising from the audit;
 - Financial decision-making with the presumptions of significant judgments;
 - The going concern assumptions; and
 - The appropriateness of Management's selection of accounting policies and disclosures in compliance with approved accounting standards, stock exchange and other regulatory requirements.
- ii. Propose best practices on disclosure in annual and other financial reports of the Company in line with the principles set out in the MCCG 2017, other applicable laws, rules, directives and guidelines.

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c. External Audit

- i. Recommend the appointment or re-appointment of the external auditors and audit fee to the Board, after reviewing the suitability, resources, competency and independence of external auditors and the accounting firm.
- ii. Make appropriate recommendations to the Board on matters of resignation, dismissal or cessation of office of the external auditors and secure the reason of such resignation, dismissal or cessation of office.
- iii. Review and discuss the nature and scope of the external audit strategy and plan for the year.
- iv. Review and discuss issues arising from external auditors' interim and final letters of recommendation to management, including management responses and the external auditor's evaluation of the system of internal control and any other matters the external auditor may wish to discuss (in the absence of Management, if required).
- v. Review whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment.

d. Internal Audit

- i. Review the adequacy of the scope, functions, competency, resources and authority of the internal audit function in carrying out its work.
- ii. Review the risk-based internal audit plans and programmes.
- iii. Ensure co-ordination between the internal and external auditors.
- iv. Review the major findings reported by internal audit and follow up on Management's implementation of the recommended actions.
- v. Annually assess performance of services provided by the internal audit function.
- vi. Any appraisal or assessment of the performance of members of the internal audit function and approve any appointment or termination of senior staff members of the internal audit function.

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e. **Related Party Transactions**

Review and recommend to the Board matters regarding any related party transactions including disclosures, values of mandates and situations involving potential conflict of interest that may arise within the Company, including any transaction, procedure or course of conduct that raises questions on Management's integrity.

f. **Other Matters**

- i. To report to Bursa Securities, if the Committee views that a matter resulting in a breach of the Listing Requirements reported by the Committee to the Board has not been satisfactorily resolved by the Board.
- ii. To highlight such matters as the Committee considers appropriate or as defined by the Board from time to time.
- iii. To announce to Bursa Securities, if there is any related party transactions which exceed the Existing Shareholders' Mandate and provide full reason and detailed explanations.
- iv. To review arrangements by which employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, and to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action to be taken. This would include any whistle blowing complaints and investigative reports relating to the senior management of the Group.
- v. Review and verify on allocation of share options to ensure compliance with the criteria for allocation of share options (if any).
- vi. To undertake such other functions as may be agreed to by the Committee and the Board.