SAMCHEM HOLDINGS BERHAD

Registration No. 200701039535 (797567-U)
(Incorporated in Malaysia)

Terms of Reference of Audit and Risk Management Committee ("ARMC")

(A) Terms of Membership

The ARMC shall be appointed by the Board of Directors amongst its members and consist of at least three (3) members, of whom all must be Non-Executive Directors, with a majority of them being Independent Directors. The Chairman, who shall be elected by the ARMC, must be an independent director.

The Committee shall include one member who is a member of the Malaysian Institute of Accountants ("MIA"); or if he is not a member of the MIA, he must have at least three (3) years' working experience and he must have passed the examinations specified in Part I of the First 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 First Schedule of the Accountants Act 1967; or he must hold a degree/master/doctorate in accounting or finance and have at least 3 years' post qualification experience in accounting or finance; or he must have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

In the event of any vacancy in the ARMC resulting in the non-compliance with the Listing Requirements of Bursa Securities, the Board shall appoint a new member within three (3) months.

A cooling-off period of at least three (3) years is required for the appointment of any former external audit partner of the Company, as a member of the ARMC.

The Board of Directors shall review the term of office and the performance of an ARMC and each of its members at least once in every three (3) years.

No alternate Director shall be appointed as a member of the ARMC.

(B) Meetings and Quorum of the ARMC

i. Frequency of meetings

- Meetings shall be held at least four (4) times a year. However, additional meetings may be called at any time depending on the scope of activities of the Committee.
- Other Board members, senior management, internal and external auditors may be invited to attend meetings.
- Prior notice shall be given for all meetings.

- Any resolution in writing, if signed or assented to by all the members of the Committee 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.

- Upon the request of the external auditor, the Chairman of the ARMC must convene a meeting of the ARMC to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

ii. Quorum

The minimum quorum for the meeting is two (2) members of the Committee, a majority of members present must be Independent and Non-Executive Directors.

iii. Secretary

The Company Secretary shall act as secretary to the Committee. Minutes of each meeting shall be distributed to each Committee member, and the Chairman of the Committee shall report on key issues discussed at each meeting to the Board.

iv. Minutes of the Committee Meeting

Every meeting of the Committee must be recorded either by the Company Secretary or any other person approved by the Committee to take minutes and such minutes must be signed by the Chairman of the Meeting as evidence that the meeting was duly convened and held.

(C) Functions of the ARMC

The duties and responsibilities of the ARMC include the following:-

1. To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal and the review of any proposed non-audit services to be provided by the external auditor;

2. To discuss with the external auditor before the ARMC, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

3. To discuss with the external auditor on the evaluation of the system of internal controls and the assistance given by the employees to the external auditors;

4. To review and report to the Board if there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;

5. To review the quarterly and year-end financial statements of the Company and Group prior to the approval of the Board, focusing particularly on:

    a. Changes in or implementation of major accounting policies and practices;
    b. Significant adjustments arising from the audit;
    c. The going concern assumption; and
    d. Compliance with accounting standards and other legal requirements.

6. To discuss problems and reservations arising from the interim and final audit, and any matter the auditors may wish to discuss (in the absence of management where necessary);

7. To review the external auditor's management letter and management's response;

8. To do the following in relation to the internal audit function:

    a. 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 work;
    b. review the internal audit programmes and the results of the internal audit processes or investigation undertaken and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
    c. review any appraisal or assessment of the performance of the internal auditors;
    d. approve any appointment or termination of the internal auditors;
    e. take cognisance of resignation of internal auditors and provide the resigning parties an opportunity to submit his reasons for resigning; and
    f. review on the budget of internal audit;

9. To review any related party transactions and conflict of interest situation that may arise within the Company or the Group;

10. To consider the major findings of internal investigations and the management's response;

11. To review and consider the following in respect of Risk Management:

    a. To review on the enterprise risk management policies, Business Continuity Planning ("BCP") and sustainability strategies.

    b. To review and monitor the implementation and maintaining of a sound risk management framework, which identifies, assesses, manages and monitors the Group's business risks;

    c. To set reporting guidelines for management to report to the Committee on the effectiveness of the Group's management of its business risks;

d. To review the Group and its subsidiaries' risk profiles, key risk indicators and evaluate the measures taken to mitigate the business risks;

e. To review and recommend the Statement on Risk Management and Internal Controls (SORMIC);

12. To provide oversight and guidance on the Group's sustainability strategies and initiatives and integration into the Group's business objectives;

13. To consider any other functions or duties as may be agreed by the Committees and the Board.

(D) Rights of the ARMC

The ARMC has ensured that it shall, wherever necessary and reasonable for the performance of its duties and in accordance with a procedure determined by the Board:-

1. have authority to investigate any matter within its terms of reference;

2. have the resources which are required to perform its duties;

3. have full and unrestricted access to any information pertaining to the Company and Group;

4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

5. be able to obtain independent professional or other advice when needed; and

6. be able 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.

(E) Procedure of ARMC

The ARMC regulates its own procedures by:-

1. the calling of meetings;

2. the notice to be given of such meetings;

3. the voting and proceedings of such meetings;

4. the keeping of minutes; and

5. the custody, protection and inspection of such minutes.

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