

**CENGILD MEDICAL BERHAD**  
Registration No. 202101004143 (1404442-P)

**TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

**1. OBJECTIVES**

- 1.1 The Board of Cengild Medical Berhad agreed at its meeting on 28 February 2023 that the Audit Committee and Risk Management Committee should be merged into one committee, to be known as the Audit and Risk Management Committee (“ARMC”).
- 1.2 The rationale for having one single Board committee instead of two is primarily that there are overlapping terms of reference between the two committees, and hence having a single entity would enhance the efficiency and effectiveness of the ARMC in discharging its duties and responsibilities.
- 1.3 The purpose of the ARMC is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the financial reporting process, internal controls, risk management and governance of Cengild Medical Berhad and its subsidiaries (collectively “Group”). The ARMC shall:-
- (a) have oversight of the integrity of the Group’s accounting and financial reporting;
  - (b) evaluate the performance of internal auditors and external auditors;
  - (c) enhance the effectiveness and independence of both the external and internal auditors’ functions through active participation in the audit process;
  - (d) oversee the effectiveness of the systems of internal controls and risk management framework and policies: such policies include the proposal to the Board of the risk appetite of the Group, and ensuring that operating processes operate within this risk appetite threshold; and
  - (e) ensure that proper processes and procedures are in place to comply with relevant laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies of Malaysia.

**2. MEMBERSHIP**

- 2.1 Members of the ARMC shall be appointed by the Board amongst its Directors and shall comprise at least three (3) members all of whom must be Independent Non-Executive Directors.
- 2.2 The Chairman of the Board must not be a member of the ARMC.
- 2.3 All members of the ARMC should be financially literate and have sufficient understanding of the Company’s business and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company’s reporting process.
- 2.4 At least one (1) member of the ARMC:-

- (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- (b) if not a member of the MIA, he/she must have at least three (3) years’ working experience and -
  - (i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
  - (ii) 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
- (c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).

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

2.6 A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc) of the Company or any entity within the Group is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.

2.7 The term of office, the effectiveness and performance of the ARMC and each of its members shall be reviewed by the Nominating Committee annually to determine whether the ARMC and its members have carried out their duties in accordance with the terms of reference of the ARMC.

2.8 Where the members of the ARMC for any reason are reduced to less than three (3), the Board shall, based on the recommendation of the Nominating Committee, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **3. CHAIRMAN**

3.1 The members of the ARMC shall elect a Chairman among themselves. The Chairman of the ARMC shall be an Independent Non-Executive Director.

3.2 In the absence of the Chairman of the ARMC within fifteen (15) minutes of the time appointed for holding the meeting or the Chairman of the ARMC is unable/unwilling to chair the meeting, the other members of the ARMC shall amongst themselves elect a Chairman who must be an Independent Non-Executive Director to chair the meeting.

3.3 In the event of a vacancy for the Chairman of the ARMC, the Board must fill the vacancy within three (3) months from the occurrence of the event.

### **4. SECRETARY**

The Company Secretary or such substitute as appointed by the ARMC from time to time shall act as the Secretary of the ARMC.

## **5. QUORUM AND MEETING PROCEDURES**

- 5.1 The ARMC shall meet at least four (4) times each year. The Chairman may request for additional meetings as he/she considers necessary. The ARMC meetings shall be conducted separately from the Board meeting to enable objective and independent discussion during the meeting.
- 5.2 The ARMC shall meet at least once a year with the internal and external auditors without the presence of any executive Board members, management or employees. The Chairman may request for additional meetings if he considers it necessary. The management, the internal and external auditors may request for a private session with the ARMC to discuss any matter of concern.
- 5.3 If any member is unable to be physically present, he/she may choose to participate by means of a conference telephone or any other audio, audio-visual, or communication equipment which allows all persons participating in the meeting to hear and speak with each other and the person shall be deemed to be present in person and shall be entitled to vote or be counted in a quorum accordingly.
- 5.4 The main venue of the meeting shall be the place where the Chairman is present.
- 5.5 The quorum for the meeting shall be two (2) members.
- 5.6 The Secretary, in consultation with the Chairman of the ARMC, shall draw up the agenda of the meeting. The agenda, together with the relevant supporting papers, shall be circulated at least five (5) business days, or a shorter notice where it is unavoidable prior to each meeting to the members of the ARMC.
- 5.7 The ARMC may, as and when deemed necessary, invite any Board members or any member of management or any employee of the Company or consultants, who the ARMC thinks fit, to attend its meetings to assist and provide pertinent information as necessary.
- 5.8 A matter put to vote at the ARMC meetings shall be decided by a simple majority of the votes, each member of the ARMC shall have one (1) vote. In the event of an equality of votes, the Chairman has the casting vote.
- 5.9 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.

## **6. MINUTES**

- 6.1 Upon conclusion of the ARMC meeting, the minutes are to be circulated to the ARMC members in a timely manner. The Company shall cause minutes of all proceedings of the ARMC meeting to be entered in the minutes books for that purpose. Minutes of each meeting shall be signed by the Chairman of the meeting at which proceedings were held or by the Chairman of the next succeeding meeting.

6.2 Minutes shall be kept by the Company at the Registered Office or a place other than at the Registered Office of the Company and shall be open for inspection by any ARMC member or Board member.

6.3 The minutes of each ARMC meeting shall be distributed to the Board members for notation.

## **7. CIRCULAR RESOLUTION**

7.1 A resolution in writing signed by a majority of the ARMC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted.

7.2 The resolution may consist of several documents in like form, each signed by one (1) or more ARMC members. Such document may be accepted as sufficiently signed by an ARMC member if it is transmitted to the Company by facsimile or other electrical or digital written message, which include a signature of the said ARMC member.

## **8. REPORTING**

The ARMC, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each ARMC meeting. When presenting any recommendations to the Board for approval, the ARMC will provide such background and supporting information as may be necessary for the Board to make an informed decision.

## **9. AUTHORITY**

9.1 The ARMC shall in accordance with a procedure to be determined by the Board and at the expense of the Company:-

- (a) have explicit 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 all information and documents which are required to perform its duties as well as to the internal and external auditors and management of the Group;
- (d) obtain external professional advice or other advice and invite persons with relevant experience to attend its meetings, if necessary;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- (f) be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity, or both, excluding the attendance of

other directors and employees of the listed corporation, whenever deemed necessary; and

- (g) where the ARMC is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of the ACE Market Listing Requirements of Bursa Securities ("ACE LR"), the ARMC shall promptly report such matter to Bursa Securities.

## **10. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the ARMC are as follows:-

### **Financial Reporting**

- 10.1 Review the quarterly results and the year-end financial statements of the Group, before submission to the Board for approval, focusing particularly on:-
  - (a) any changes in or implementation of major accounting policy changes;
  - (b) any significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions and how these matters are addressed;
  - (c) any significant adjustment arising from the audit;
  - (d) any major judgemental areas;
  - (e) the going concern assumption;
  - (f) whether significant contingent liabilities and commitments have been properly disclosed; and
  - (g) compliance with accounting standards, regulatory and other legal requirements.
- 10.2 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.
- 10.3 Ask probing questions to ascertain whether the financial statements are consistent with operational and other information known, where there are significant matters requiring judgement.

### **External Auditors**

- 10.4 Consider and recommend to the Board on the appointment or re-appointment of external auditors and to fix their fees (audit and non-audit), after assessing their independence and capabilities as well as the effectiveness of the external audit process.

10.5 Review the following and report the same to the Board:-

- (a) letter of resignation from the external auditors or suggestions for their dismissal, including a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditors, if applicable; and
- (b) whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment.

10.6 Where external auditors are removed from office or give notice to the listed corporation of their desire to resign as external auditors of listed corporation, the listed corporation must forward to the Exchange a copy of any written representations or statement of circumstances connected with the resignation made by the external auditors at the same time as copies of such representations or statement of circumstances are submitted to the Registrar pursuant to section 284 of the Companies Act.

10.7 Assess the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established and the annual performance evaluation of the external auditors undertaken by the ARMC.

The policies and procedures must include among others consideration on:-

- (a) the criteria to guide decisions on the appointment and re-appointment of the external auditors. The criteria should include among others;
  - (i) the adequacy of the experience and resources of the accounting firm;
  - (ii) the persons assigned to the audit;
  - (iii) the accounting firm's audit engagements;
  - (iv) the size and complexity of the listed corporation's group being audited; and
  - (v) the number and experience of supervisory and professional staff assigned to the particular audit.

The assessment should also consider information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the ARMC may engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;

- (b) the appropriateness of audit fees to support a quality audit;
- (c) requirement for non-audit service to be approved by the ARMC before they rendered by the external auditors and its affiliates while taking into account the

nature and external of the non-audit services and the appropriateness of the level of fees;

- (d) requirement to obtain written 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; and
- (e) the conduct of an annual evaluation on the performance of the external auditors and undertaking follow-up measures, where required.

10.8 Review the following with the external auditors and report the same to the Board:-

- (a) audit plan, its scope and nature;
- (b) the coordination among the competent auditors where more than one (1) audit firm is involved in the audit of the Group's financial statements;
- (c) audit report;
- (d) evaluation of the system of internal controls;
- (e) the assistance given by the employees to the external auditors, including any difficulties or disputes with management encountered during audit; and
- (f) external auditors' management letter and management's response thereto.

#### **Internal Audit**

10.9 The internal audit function must be independent of the activities it audits and the internal audit function must report directly to the ARMC. In relation to the internal audit function, the responsibilities of the ARMC are to:-

- (a) review the adequacy of the scope, 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 plan, programme, processes, and the reporting structure;
- (c) review whether the internal audit function is carried out in accordance with a recognised framework;
- (d) review the findings of the internal auditor's reports, investigations undertaken and whether or not appropriate actions are taken by the management, based on the recommendations of the internal auditors;
- (e) review the appraisal or assessment of the performance of the internal audit function on an annual basis; and

- (f) review any special audit which the ARMC deems necessary.

**Related Party Transactions (“RPT”), Recurrent RPT (“RRPT”) and Conflict of Interest**

- 10.10 Monitor, review and report to the Board any RPT, RRPT and conflict of interest situation 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 of interest.
- 10.11 In reviewing any RPT or RRPT, the ARMC shall review the terms thereof to determine whether such RPT or RRPT will be conducted at arm’s length basis and on normal commercial terms in the ordinary course of business and on terms not more favourable to the related party than those generally available to the public and will not prejudice the shareholders or disadvantage to the Group.
- 10.12 In determining whether the arrangement for the employee consultants to perform consultations and treatments in other medical centre are satisfactory, essential and favourable to the Group and is not detrimental to the shareholders, the ARMC is to take into consideration the following:
- (i) there are insufficient beds in the medical centre to cater for all the consultants’ patients if they were to work full time at the medical centre and not allowed to practice in other medical centres whereby the consultants may have to turn away patients because of bed capacity constraint;
  - (ii) if the patients of the consultants have other illnesses that require other specialists’ attention which the medical centre does not have such specialities at this juncture and as a result, the consultants may not be able to treat these patients who are inpatients in other medical centres; and
  - (iii) the medical centre may not be on the panel of certain insurance companies and third party administrators that other medical centres are on which will result in some patients who prefer their medical bills be paid directly by the insurance companies and third party administrators may prefer to have their consultation and treatment performed in other medical centres.
- 10.13 To conduct a review on the declaration and all relevant documents pertaining to the arrangement for the employee consultants of the Group to perform consultations and treatments in other medical centres are satisfactory, essential and favourable to the Group, and to recommend the same to the Board for approval.

**Risk Management**

- 10.14 Ensure that an appropriate risk reporting structure is established to facilitate reporting of risks to management and the Board;



- 10.15      Oversee the Group’s overall risk management framework and policies;
- 10.16      Review and assess the adequacy and effectiveness of the risk management framework, policies and processes, which include identifying, managing, monitoring, treating and mitigating significant risks of the Group, and recommend for approval by the Board;
- 10.17      Review and assess the risk appetite and risk tolerance for the Group;
- 10.18      Review the regulatory and clinical compliance reports and any other reports within the purview of the ARMC;
- 10.19      Review the significant risks identified and assess the mitigating actions put in place to manage these risks;
- 10.20      Review the Statement on Risk Management and Internal Control for inclusion in the Company’s Annual Report, and recommend for approval by the Board;
- 10.21      Ensure that the key risks are effectively managed in accordance with the Group’s risk management policies and strategies;
- 10.22      Review the adequacy of resources for managing the risk management framework;
- 10.23      Review and deliberate reports on non-compliance findings by regulatory agencies;
- 10.24      Carry out other responsibilities, functions or assignments as may be defined by the Board from time to time; and
- 10.25      Has the right to call for Ad-Hoc or emergency meeting for any occurrence of sentinel event incident. Refer Sentinel events SOP: HOP-MGT-007, Clause 11.2 Appendix B: Sentinel Events Criteria.

**Others**

- 10.26      Review all financial related reports/statements as required by the ACE LR, for inclusion in the Annual Report;
- 10.27      Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Group (if any);
- 10.28      Obtain regular updates from the management regarding compliance matters;
- 10.29      Review findings, queries or investigation by the regulatory agencies (if any);
- 10.30      Review and report to the Board on the status of compliance of the Undertakings\* by the employee consultants to the Group;

*Note:-*

\* *Employee Consultants shall not practice at other medical centres:*

- (i) after three (3) years from the date the Company is listed on the ACE Market of Bursa Securities; or*
- (ii) on full commencement of operations at the expanded area of the Group's existing medical centre,*

*whichever is the earlier, unless written approval from the Company has been obtained and the following conditions are met:*

- (i) employee consultants only consult and treat patients at other medical centre where such patients have other illnesses that require the attention of other specialists not available at the Group's medical centre; and*
- (ii) employee consultants shall not practise at other medical centres more than two (2) clinic sessions a week.*

10.31 Review the adequacy and appropriateness of Anti-Bribery and Anti-Corruption Policy, and Whistleblowing Policy, when necessary; and

10.32 Carry out any other functions that may be mutually agreed upon by the ARMC and the Board.

## **11 REVIEW OF THE WRITTEN TERM OF REFERENCE**

11.1 Subject to Paragraph 2.7 above, any amendments to this Terms of Reference shall be approved by the Board. These terms of reference will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the ARMC's responsibilities.

11.2 The written terms of reference will be made to public on the Company's website.