



**KHPT HOLDINGS BERHAD**  
**[REGISTRATION NO. 201901005770(1315097-M)]**

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

**DOC NO: KHPT-POLICY-02**

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## 1. INTRODUCTION

- 1.1. The Audit and Risk Management Committee's ("**ARMC**") Terms of Reference ("**TOR**") set out the requirements of the Board of Directors ("**Board**") of KHPT Holdings Berhad ("**Company**") towards the establishment of an ARMC and the delegation of responsibilities to such committee.

## 2. OBJECTIVES

- 2.1. The primary objective of the ARMC is to establish documented, formal and transparent procedures to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, internal control, audit process, risk management, related party transactions and the process of monitoring compliance with laws and regulations. The ARMC maintains open lines of communication between the Board, the internal auditors and the external auditors for the exchange of views and information, as well as to provide assurance that the financial information presented by the key senior management of the Company and its subsidiary (collectively referred to as "**Group**") is relevant, reliable and timely.

The ARMC also assists the Board in fulfilling its responsibilities with respect to:

- 2.1.1. Oversight of the Group's risk management framework, including the significant policies and practices used in managing business, market, operational and certain other risks;
- 2.1.2. Reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which includes but is not limited to ensuring the adequacy of risk management policies and infrastructure to facilitate the implementation of action plans for risk management;
- 2.1.3. Reporting to the Board regarding the Group's risk profile, as well as its risk management framework, including the significant policies and practices adopted to manage risks in the Group's businesses;
- 2.1.4. Oversight of the risk governance processes, including risk measurement, risk monitoring, risk control or mitigation, and risk reporting;
- 2.1.5. Assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies; and
- 2.1.6. Carry out any other function that may be mutually agreed upon by the ARMC and the Board.

## 3. COMPOSITION OF THE ARMC

- 3.1. The ARMC shall be appointed by the Board from among their number which fulfils the following requirements as pursuant to Rule 15.09 of the ACE Market Listing Requirements ("**AMLR**") as follows:

- 3.1.1. The ARMC must consist of no fewer than three (3) members;
- 3.1.2. All of whom must be Non-Executive Directors;
- 3.1.3. A majority of the ARMC must be Independent Non-Executive Directors ("**INEDs**"); and  
*In this respect, the Board adopts the definition of "independent director" as defined under the AMLR of Bursa Malaysia Securities Berhad ("**Bursa Securities**")*
- 3.1.4. At least 1 member of the ARMC1:  
(a) Just be a member of the Malaysian Institute of Accountants ("**MIA**"); or



(b) If he is not a member of the MIA, he must have at least three (3) years' working experience and

- i. He must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
- ii. 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
- iii. He must be a person who fulfils the requirements as prescribed or approved by Bursa Securities from time to time.

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

3.1.6. The members of the ARMC shall elect a Chairman/Chairperson from among their number who is an INED. The Chairman/Chairperson of the ARMC shall not be the Chairman/Chairperson of the Board.

3.1.7. Where the Director of the Group is a former partner of the external audit firm of the Group, he shall not be appointed by the Board to the ARMC until he has observed a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.

3.1.8. In the event of any vacancy with the result that the number of members is reduced to below three (3), any of the requirements in (3.1.2) -(3.1.5) above is not complied or there is no Chairman/Chairperson, the vacancy shall be filled within three (3) months. Therefore, a member who wishes to retire or resign should provide written notice of three (3) months to the Company so that a replacement may be appointed before he leaves.

3.2. The ARMC shall also consider the practices and guidance set out in the MCCG which states that the ARMC plays a key role in a Group's governance structure. An independent ARMC is better positioned to rigorously challenge and ask probing questions on the Group's financial reporting process, internal controls, risk management and governance.

3.3. The ARMC members shall be financially literate, competent and able to understand matters under the purview of the ARMC, including the financial reporting process. All ARMC members shall undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

#### **4. AUTHORITY**

4.1. The ARMC, in accordance with policies and procedures determined by the Board and at the expense of the Group, shall:

4.1.1. Have explicit authority to investigate any matter within its TOR, the resources to do so, and full access to information. All employees shall be directed to cooperate as requested by members of the ARMC;

4.1.2. Have full and unlimited/unrestricted access to all information and documents or resources which are required to perform its duties as well as to the internal and external auditors and Management;

4.1.3. Have direct communication channels with the external auditors, internal auditors and the Management as the case may be, to obtain information and feedback in performing its duties;

4.1.4. Obtain other independent professional advice or other advice and to secure the attendance of external parties with relevant experience and expertise if it considers necessary, at the expense of the Company; and



4.1.5. Where the ARMC is of the view that the matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach of the AMLR, the ARMC shall promptly report such matter to Bursa Securities.

## 5. ROLE OF THE CHAIRMAN/CHAIRPERSON OF THE ARMC

- 5.1. The Chairman/Chairperson of the ARMC, who shall be elected by the ARMC, and shall be an INED.
- 5.2. If the Chairman/Chairperson is absent for holding the meeting, the members may elect one (1) of their numbers to be the Chairman/Chairperson of the meeting.
- 5.3. Chairman/Chairperson together with other members of the ARMC ensure among others that:
  - 5.3.1. The ARMC is fully informed about significant matters related to the Group's audit and its financial statements and addresses these matters;
  - 5.3.2. the ARMC appropriately communicates the insight, views and concerns about relevant transactions and events to internal and external auditors;
  - 5.3.3. ARMC's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the external auditor; and
  - 5.3.4. there is co-ordination between internal and external auditors.

## 6. SECRETARY

- 6.1. The Company Secretary or his/her representative or other appropriate senior officer shall act as Secretary of the ARMC ("**Secretary**") and shall be responsible, in conjunction with the Chairman/Chairperson of the ARMC, for drawing up the agenda together with the relevant papers and circulating it prior to each of the ARMC meeting.
- 6.2. The Secretary shall attend each ARMC meeting and record the proceedings of the meeting and minute the resolutions.
- 6.3. The Secretary will be assisting the Chairman/Chairperson of the ARMC in planning and drafting the ARMC's activities for the financial year.
- 6.4. The Secretary ensures the ARMC's recommendations presented to the Board are supported by explanatory papers, including the report of the ARMC or minutes that explain the rationale of the ARMC's recommendations.
- 6.5. The Secretary shall be responsible for preparing and circulating the minutes of the ARMC meetings promptly to the ARMC members and table the same to the Board for notation.
- 6.6. The Secretary shall be responsible for ensuring compliance with the AMLR and other applicable rules and regulations.
- 6.7. Significant results and findings from the ARMC's deliberation shall be put in writing and tabled to the Board. The ARMC shall submit an annual report to the Board summarizing its activities and significant findings during the year.

## 7. MEETINGS AND REPORTING

- 7.1. The ARMC shall meet at least four (4) times a year, on a quarterly basis, with due notice of issues to be discussed. In addition, the Chairman/Chairperson may call for additional meetings at any time at the Chairman/Chairperson's discretion.
- 7.2. The quorum in respect of a meeting of the ARMC shall be a majority of INEDs present. Two (2) INEDs personally present at a meeting shall constitute a quorum. The ARMC at which a



quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.

- 7.3. A member of ARMC may participate in a meeting by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 7.4. All decisions at such meeting shall be decided on a show of hands or any other forms of indication to be agreed on a majority of votes of the members present, and in the case of an equality of votes, the Chairman/Chairperson of the ARMC has a second or casting vote, except where two (2) members form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue shall not have a casting vote. In the case of an equality of votes, where two (2) members form a quorum, the meeting shall stand adjourned at another day, time and place when at least three (3) or more members may be present to decide on the issue.
- 7.5. The Secretary shall on the requisition of the members of the ARMC summon a meeting of the ARMC except in the case of an emergency, reasonable notice of every ARMC meeting shall be given in writing.
- 7.6. The ARMC may invite other directors and employees to the meetings to brief the ARMC on issues that are incorporated into the agenda. The internal auditors, the external auditors and Management may attend at any meeting at the invitation of the ARMC.
- 7.7. The ARMC shall meet with the Chief Financial Officer/ Finance Controller and the Group Managing Director without executive Board members or employees present, whenever deemed necessary. Internal auditors may also request a meeting if they consider it is necessary and believe the matter should be brought to the attention of the ARMC and the Board.
- 7.8. The ARMC shall meet with the external auditors without the presence of executive Board members as and when required. Upon the request of the external auditor, the Chairman/Chairperson of the ARMC shall convene a meeting of the ARMC to consider any significant management matter the external auditor believes should be brought to the attention of both directors and shareholders.
- 7.9. An ARMC member shall excuse himself/herself from the meeting during discussion or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Whereas this causes insufficient directors to make up a quorum, the ARMC has the right to appoint another director(s) which meets the membership criteria.

## **8. CIRCULAR RESOLUTIONS**

- 8.1. A resolution in writing signed or approved by letter, telex, telefax or other written electronic communications 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. All such resolutions shall be described as "Circular Resolutions passed by ARMC Members in lieu of ARMC Meeting" and shall be forwarded or otherwise delivered to the company secretary without delay and shall be recorded by the company secretary in the minutes book. Any such resolution may consist of several documents in like form each signed by one (1) or more ARMC members. Any such document may be accepted as sufficiently signed by an ARMC member if transmitted to the Group by email, facsimile or other electrical or digital written message/application to include a signature of an ARMC member.

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## 9. DUTIES AND RESPONSIBILITIES

The ARMC, as required by applicable laws, rules, or regulations and otherwise to the extent it deems necessary or appropriate, shall include:

### 9.1. Matters relating to external audit:

- 9.1.1. Recommend appointments or re-appointment of external auditors and their audit fees;
- 9.1.2. Monitor the effectiveness of the external auditors' performance and their independence and objectivity; and
- 9.1.3. Review and discuss with the external auditors on the following and report the same to the Board:
  - a) The nature, scope and plan of the audit before the audit commences and ensure co-ordination where more than one audit firm is involved;
  - b) audit report;
  - c) Evaluations of the system of internal controls;
  - d) the assistance given by the employees to the external auditors;
  - e) External auditors' report of deficiencies in internal control and management's response thereto;
  - f) Any significant audit findings, reservations, difficulties encountered, or material weaknesses reported by the external auditors;
  - g) The annual evaluation of the performance of the external auditors, including the suitability, objectivity and independence of the external auditors which takes into consideration the following:
- 9.1.4. Review the external auditor's management letter and management's response.
- 9.1.5. Discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of the Executive Directors and Management where necessary);
- 9.1.6. The Board has approved the Non-Assurance Pre-Approval Policy for non-assurance services provided by the external auditors whereby permissible non-assurance services provided by the external auditors and its affiliates should be pre-approved for the entities within the corporate structure of the Group; and
- 9.1.7. The Management will seek clearance from the ARMC, in the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's external auditors) and the Company is required to state the details on the nature of non-audit services rendered in the ARMC's Report.

### 9.2. Matters Relating to Internal Audit:

- 9.2.1. Review with the internal auditors and report to the Board on the following:
  - a) Annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group;
  - b) Effectiveness of the internal audit processes as well as the adequacy of resources, competency and the necessary authority for the internal audit function;
  - c) Internal audit report containing the internal audit findings, commentaries and recommendations and to follow-up on remedial actions;
  - d) Ensure the internal audit function is independent of the activities it audits and the internal auditors report directly to the ARMC and their performance are reviewed on annual basis by the ARMC. The head of internal audit should have relevant experience, qualifications and be responsible for providing assurance to the ARMC



that the internal controls are operating effectively. The internal auditors will be responsible for the regular review and/ or appraisal of the effectiveness of risk management, internal control and governance processes within the Group; and

e) Any appointment or termination of internal auditors.

9.2.2. Take cognizance of resignations of internal auditors and provide the resigning internal auditor with an opportunity to submit his reasons for resigning upon receipt of such notice of resignation.

9.2.3. Review the appraisal or assessment of performance of the internal auditors; and;

9.2.4. Review with the internal auditors on the external auditors' report of deficiencies in internal control and management's response thereto and report the same to the Board

### 9.3. Matters Relating to Risk Management and Internal Control:

9.3.1. Review of the Statement of Risk Management and Internal Control to be published in the Annual Report and report the same to the Board;

9.3.2. Review and assess the adequacy and effectiveness of internal control systems and risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;

9.3.3. To review the Group's risk profile and risk tolerance and the Group's risk management plans to mitigate business risks as identified from time to time;

9.3.4. Assess the adequacy of the business recovery / disaster recovery procedures; and

9.3.5. Assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies.

### 9.4. Matters relating to Related Party Transactions and Conflict of Interest Situations

9.4.1. Review and report to the Board any related party transaction 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;

9.4.2. Review and report to the Board any related party transactions entered into by the Group including the review and monitoring of recurrent related party transactions to ensure that:

a) All transactions are fair, reasonable and undertaken on the Group's normal commercial terms;

b) Internal control procedures with regard to such transactions are sufficient and have been complied with; and

c) Compliance with the relevant provisions of the AMLR.

9.4.3. Ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.

### 9.5. Whistleblowing and fraud:

9.5.1. To ensure that proper investigations are carried out, on a timely basis, for substantiated cases reported by any whistleblower to the Chairman/Chairperson of the Board or the Chairman/Chairperson of the ARMC, and report the results and conclusion of such investigations, with the appropriate cause of action shall be recommended to the Board for approval, in accordance with the Group's whistleblowing policy; and

9.5.2. Review the Group's policies and procedures for detecting fraud.

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9.6. Overseeing financial reporting:

- 9.6.1. Review and deliberate the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on:
- a) Any changes in or implementation of accounting policies and practices;
  - b) Significant or material adjustments with financial impact arising from the audit;
  - c) Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
  - d) The going concern assumptions;
  - e) The appropriateness of Management's selection of accounting policies and disclosures in compliance with approved accounting standards and other regulatory requirements;
  - f) Compliance with applicable financial reporting standards; and
  - g) Litigation that could affect the Group's business or financial status materially.
- 9.6.2. Monitor the integrity of the financial statements of the Group;
- 9.6.3. Assess whether the financial reports represent a true and fair view of the Group's performance and ensure compliance with the regulatory requirements;
- 9.6.4. To ensure the competency of the accounting staff and adequacy of the resources and infrastructure of the finance function; and
- 9.6.5. To propose best practices on disclosure in the financial statements and the annual reports of the Group, to be in line with the recommendations set out in the MCCG and other applicable rules and regulations.

9.7. Other matters

- 9.7.1. Prepare an ARMC Report at the end of the financial year for inclusion in the Annual Report pursuant to the AMLR.
- 9.7.2. Verify the allocation of shares and/or options pursuant to the share issuance scheme for employees to ensure in compliance with the criteria for allocation of shares and/or options under the share issuance scheme, at the end of each financial year;
- 9.7.3. To report promptly any matters resulting in the breach of AMLR to the Board. Where the ARMC is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the ARMC shall promptly report such matter to Bursa Securities;
- 9.7.4. To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time; and
- 9.7.5. Securities or any other relevant authority from time to time; and
- 9.7.6. Carry out any other function that may be mutually agreed upon by the ARMC and the Board.

**10. RIGHTS OF THE ARMC**

- 10.1. The ARMC shall, wherever necessary and reasonable for the Group to perform its duties, in accordance with a procedure to be determined by the Board and at the cost of the Group:
- 10.1.1. Have authority to investigate any matter within its TOR and have the right of direct access to anyone in the Group to conduct a special investigation on fraud, violation of code of conduct or an illegal act;
  - 10.1.2. Have the resources which are required to perform its duties;
  - 10.1.3. Have full and unrestricted access to any information pertaining to the Group;



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- 10.1.4. Have direct communication channels with the external auditors and the internal auditors;
- 10.1.5. Have the right to obtain independent professional or other advice and to invite outside experts or advisors such as valuers, or tax consultants with relevant experience and expertise to attend the ARMC meetings (if required) and to brief the ARMC at the Group's expense; and
- 10.1.6. Be able to convene meetings with external auditors (without the presence of executive Board members) at least twice a year and whenever deemed necessary.
- 10.1.7. The Chairman/Chairperson of the ARMC shall engage on a continuous basis with the Management, the Chairman/Chairperson of our Board, the Group Managing Director, the Chief Financial Officer, the Chief Operating Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

## 11. MINUTES

- 11.1. Minutes of each meeting shall be kept at the registered office and distributed to each member of the ARMC and also to the other members of the Board.
- 11.2. The minutes of the ARMC meeting shall be signed by the Chairman/Chairperson of the meeting at which the proceedings were held or by the Chairman/Chairperson of the next succeeding meeting.
- 11.3. The ARMC members may inspect the minutes of the ARMC meeting at the registered office or such other place as may be determined by the ARMC.

## 12. GENERAL MEETING

- 12.1. The Chairman/Chairperson of ARMC should attend the general meeting to provide clarification to shareholders on the ARMC's activities, particularly on matters pertaining to quarterly results and year-end financial statements.

## 13. REPORTING RESPONSIBILITIES

- 13.1. The Chairman/Chairperson of the ARMC shall report to the Board on its proceedings after each meeting on all matters with its duties and responsibilities.
- 13.2. The ARMC shall make a recommendation to the Board that it deems appropriate or any area within its remit where action or improvement is needed.

## 14. REVIEW & REVISION

- 14.1. The TOR should be assessed, reviewed and updated at least once every three years (3) years by ARMC or as and when necessary or there are changes to MCGG and AMLR that may have an effect on the ARMC's responsibilities.
- 14.2. Any revision or amendment to this TOR, as proposed by the ARMC or any third party, shall first be presented to the Board for its approval.
- 14.3. Upon the Board's approval, the said revision or amendment shall form part of this TOR and this TOR shall be considered duly revised or amended.
- 14.4. This TOR shall be disclosed on the Company's website.