



HARTANAH KENYALANG BERHAD

[Registration No: 202401034991 (1580838-V)]

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

1. OBJECTIVE

The purpose of the Audit and Risk Management Committee (“Committee”) is to assist the Board in fulfilling its statutory and fiduciary responsibilities in regard to reviewing the financial reporting process, system of risk management and internal controls, internal and external audit process and outcomes, as well as undertaking any such other functions as may be determined by the Board from time to time.

2. COMPOSITION

- 2.1 The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, all of whom shall be Non-Executive Directors with a majority of them being Independent Directors.
- 2.2 All members of the Committee should be financially literate, competent and have sufficient understanding of the business of Hartanah Kenyalang Berhad (“Company”) and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company’s reporting process. All members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.3 No Alternate Director shall be appointed as a member of the Committee.
- 2.4 At least one (1) member of the Committee: -
 - (a) Must be a member of the Malaysian Institute of Accountants; or
 - (b) If he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years’ working experience and: -
 - must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act 1967; or
 - (c) Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 2.5 The members of the Committee shall elect a Chairman from among their number, who shall be an Independent Non-Executive Director.
- 2.6 The Chairman of the Board shall not be a member of the Committee.
- 2.7 No former audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years.

- 2.8 All members of the Committee shall hold office only as long as they serve as Directors of the Company. If any member of the Committee ceases to be a Director of the Company, his or her membership in the Committee shall automatically cease forthwith.
- 2.9 The appointment of a Committee member terminates when the member ceases to be a Director, or as determined by the Board.
- 2.10 In the event that the membership of the Committee for any reason is reduced to less than three (3), the Board shall, within three (3) months from the date of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members.
- 2.11 The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually to determine whether the duties of the Committee have been carried out in accordance with this Terms of Reference.
- 2.12 The Secretary of the Committee shall be the Company Secretary.

3. AUTHORITY

The Committee is authorised by the Board to: -

- 3.1 Investigate any matters within its terms of reference;
- 3.2 Have the resources required for the purpose of discharging its functions and responsibilities;
- 3.3 Have full and unrestricted access to any information pertaining to the Company and its subsidiary (collectively, the “Group”);
- 3.4 Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- 3.5 Obtain external legal or other independent professional advice as necessary for the performance of its duties; and
- 3.6 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.

4. DUTIES AND RESPONSIBILITIES

The Committee shall have the duties and responsibilities as follows: -

4.1 External Audit

- (a) to review and recommend to the Board on the appointment and re-appointment, resignation, dismissal and suitability of external auditors, and consider their fees (for both audit and non-audit services);

- (b) to assess the suitability, objectivity and independence of the external auditor on an annual basis based on established policies and procedures, and the evaluation of the external auditor undertaken by the Committee;
- (c) to review and discuss with the external auditors on the: -
 - (i) audit plan, its scope and nature, including any changes to the scope of the audit plan;
 - (ii) audit report;
 - (iii) evaluation of the system of internal controls;
 - (iv) assistance given by the employees and management of the Group to the external auditors; and
 - (v) external auditors' management letter and management's response thereto.
- (d) to discuss problems and reservations arising from the interim and/or final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary); and
- (e) to evaluate the independence and objectivity of the external auditors in their provision of services, including non-audit services.

4.2 Internal Audit

- (a) to establish an internal audit function (whether in-house or outsourced) which is independent of the activities it audits and in relation thereto: -
- (b) mandate the internal audit function to report directly to the Committee;
- (c) 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;
- (d) review the internal audit plan or charter, programme, processes, and the reporting structure;
- (e) 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;
- (f) approve any appointment or termination of internal audit member of the internal audit function;
- (g) review the appraisal or evaluation on the performance of the internal audit function on an annual basis;

- (h) review or take cognisance of resignation of internal audit staff member (for inhouse internal audit functional) and provide the internal auditors/resigning staff member an opportunity to submit the reasons for resigning;
- (i) review the assistance given by the employees and management to the internal auditors, including any difficulties or disputes encountered during internal audit;
- (j) review any special audit which the Committee deems necessary; and
- (k) to review the internal audit plan, processes, the results of the internal audit assessments and investigations undertaken to ensure appropriate actions are taken on the recommendations.

4.3 Risk Management and Internal Control

- (a) to establish an adequate and effective Group's risk management and internal control framework;
- (b) to review the risk management framework, policies and processes, include identifying, managing, monitoring and mitigating the significant risks of the Group, as well as evaluate the overall adequacy and effectiveness of the system of internal control and recommend to the Board for approval;
- (c) to review the significant risks identified (including operational, financial, regulatory compliance, sustainability reporting and reputational risks) and assess the mitigating actions put in place to manage these risks; and
- (d) to review the adequacy of resources in managing the risk management and internal control framework.

4.4 Financial Reporting

- (a) to review the quarterly results and year-end financial statements, prior to the approval by the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant matters highlighted, including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (iii) significant adjustment arising from the audit;
 - (iv) major judgement areas;
 - (v) the going concern assumption; and
 - (vi) compliance with accounting standards and other legal requirements.

- (b) to understand non-financial information which are relevant in assisting the Committee to gain further insights on the Group's performance and enhance the integrity of financial reporting; and
- (c) to ensure that the financial statements are consistent with operational and other information, where there are significant matters requiring judgement.

4.5 Related Party Transactions and Conflict of Interest

- (a) to review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure, or course of conduct that raises questions of management integrity;
- (b) to review and establish whether all recurrent related party transactions have been carried out in accordance with the mandate approved by the Company's shareholders and are on commercial terms no more favourable to the related parties than those available to third parties and make recommendations to Board; and
- (c) to review all non-recurring transactions or corporate proposals involving related parties to ensure that they are in the best interest of the Group and are not to the detriment of the minority shareholders and make recommendations to Board.

4.6 Others

- (a) to review all financial related reports including Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report;
- (b) to ensure that the Company is compliant with all aspects of the law, relevant regulations and good practice;
- (c) to review regulatory and compliance reports, and any other reports within the purview of the Committee;
- (d) to obtain regular updates from the management regarding compliance matters;
- (e) to review the adequacy and appropriateness of Anti-Bribery and Corruption Policy, and Whistleblowing Policy;
- (f) to verify the allocation of the Employees' Share Option Scheme ("ESOS") in compliance with the criteria as stipulated in the By-Law of ESOS of the Company, if any;
- (g) to review implementation and adequacy of Group's business continuity plan;
- (h) to carry out any other duties that may be mutually agreed upon by the Committee and the Board that would be beneficial to the Company;
- (i) to report any suspected frauds/ irregularities, serious internal control deficiencies, suspected infringement of laws, rules and regulations that warrants the attention of the Board; and

- (j) In compliance with the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Securities, 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 ACE Market Listing Requirements, the Committee must promptly report such matter to Bursa Securities.

5. PROCEEDINGS OF MEETINGS

- 5.1 Meetings will be held not less than four (4) times a year. Additional meetings may be held as and when necessary, upon request by any Committee member, the management, Internal or External Auditors.
- 5.2 The quorum for a meeting of the Committee shall consist of two (2) members and a majority of the members present must be Independent Directors.
- 5.3 The meeting of the Committee may be held and conducted through the telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.
- 5.4 A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes. In the event of an equality of votes, the Chairman has the casting vote. The Chairman shall not have a casting vote when only (2) members (one of whom is the Chairman) form a quorum or when only two members are competent to vote on the question at issue.
- 5.5 Any member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, must declare his/her interest in the matters and he/she shall abstain from deliberating and voting.
- 5.6 The chief financial officer, internal auditors, and a representative of the external auditors are normally invited to attend meetings. Other members of the Board of Directors and employees shall attend the meetings upon invitation by the Committee.
- 5.7 The Committee shall meet with the external auditors without the presence of Executive Directors and the management at least once a year and whenever deemed necessary.
- 5.8 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 5.9 The minutes of Committee meetings shall be kept by the Company at the registered office or a place determined by the Board pursuant to the Companies Act 2016 and circulated to each member of the Committee and the Board.
- 5.10 The Company Secretary, in consultation with the Chairman of the Committee, shall draw up the agenda and notice of the meeting.

- 5.11 The notice of the meeting shall be circulated at least five (5) business days or shorter notice where it is unavoidable, prior to each meeting to the members of the Committee. Notices may also be sent via facsimile, electronic mail or by any means of telecommunication.
- 5.12 Meeting papers should be clear and comprehensive in order to provide concise information to the members to facilitate their deliberation and decision-making. All members are given sufficient time to review the meeting papers prior to Board meetings.
- 5.13 A resolution in writing signed or approved by letter, electronic mail or by other forms of electronic communications by all Committee members shall be deemed to have been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in like form, each signed by one (1) or more Committee member.

6. REVIEW OF THE TERMS OF REFERENCE

- 6.1 The Terms of Reference shall be reviewed and updated from time to time to ensure its relevancy.
- 6.2 The latest copy of the Terms of Reference of the Committee shall be made available on the Company's website.