



KHIND HOLDINGS BERHAD
REGISTRATION NO.: 199601007964 (380310-D)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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THE AUDIT COMMITTEE ("THE AC")**

A. COMPOSITION OF THE AC

- (1) The AC shall be appointed by the Board of Directors of the Company ("Board") from amongst their members and shall consist of at least three (3) members.
- (2) All AC members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors.
- (3) At least one (1) member of the AC:-
 - (a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
 - (b) if he/she is not a member of the MIA, he/she must have at least three (3) years' working experience and-
 - (i) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1976; or
 - (c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- (4) The members of the AC shall elect a Chairman from amongst its members who shall be an Independent Non-Executive Director.
- (5) The Chairman of the Board shall not be a member of the AC.
- (6) No alternate Director(s) shall be appointed as member(s) of the AC.
- (7) In the event of any vacancy in the AC resulting in the non-compliance with paragraphs (1), (2), (3) and (4) above, the Board shall take necessary steps to fill in the vacancy within three (3) months from the occurrence of the event.
- (8) All AC members shall be financially literate and should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- (9) No former partner of the external audit firm shall be appointed as a member of the AC before observing a cooling-off period of at least three (3) years. This shall apply to all former partners of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.).

- (10) The Nomination and Remuneration Committee shall review the term of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with the AC's Terms of Reference.
- (11) The Board may from time to time and in its absolute discretion, revise the composition, roles and responsibilities of the AC.

B. COMPANY SECRETARY

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

C. DUTIES AND RESPONSIBILITIES OF THE AC

The AC shall undertake the following duties and responsibilities:

- (1) Financial Reporting and Processes
 - (a) Review quarterly results and year-end financial statements of the Company, prior to 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 judgments made by Management, significant and unusual events or transactions, and how these matters are addressed;
 - (iii) adoption of new and/or revised accounting standards;
 - (iv) the going concern assumption; and
 - (v) compliance with accounting standards and other legal/regulatory requirements.
 - (b) Review the accuracy and adequacy of the disclosure of information in the financial statements taken as a whole, provide a true and fair view of the Company's financial position and performance.
 - (c) Ask probing questions to ascertain whether the financial statements are consistent with operational and other information known, where there are significant matters requiring judgement.
 - (d) Understand non-financial information which is relevant in assisting the AC to gain further insights on the Company's performance and enhance the integrity of financial reporting.

(2) Internal Controls

- (a) Review the effectiveness of the Company's internal control and the timeliness of and reports on the effectiveness of corrective or remedial actions taken by Management.
- (b) Review and approve the Statement on Risk Management and Internal Control which forms part of the Annual Report.

(3) External Auditors

- (a) Review with the External Auditors, their report and the findings of their audit, including but not limited to:-
 - (i) a discussion of any significant issues which arose during the audit;
 - (ii) any accounting and audit judgements;
 - (iii) the level of errors identified during the audit;
 - (iv) the going concern assumption; and
 - (v) compliance with relevant financial reporting standards and relevant financial and governance reporting requirements.
- (b) Review the following with the External Auditors and report the same to the Board on:-
 - (i) the audit plan, its scope and nature, including any changes to the scope of the audit plan;
 - (ii) the External Auditors' evaluation of the system of internal controls;
 - (iii) the assistance given by the employees and Management to the External Auditors, including any difficulties or disputes encountered during audit; and
 - (iv) the External Auditors' management letter and Management's response thereto, including the status of previous audit recommendations.
- (c) Review the following and report to the Board:-
 - (i) any 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
 - (ii) whether there is reason (supported by grounds) to believe that the External Auditors is not suitable for re-appointment.
- (d) Establish policies and procedures to assess the suitability, objectivity and independence of the External Auditors.

- (e) Conduct an annual evaluation on the performance of the External Auditors and undertake follow-up measures, where required.
- (f) Review the audit approach, adequacy of the scope, competency and resources of the External Auditors to carry out their work.
- (g) Establish policies and procedures in governing circumstances for contracts of non-audit services to be entered with the External Auditors.
- (h) Meet the External Auditors at least once a year, without Management being present, to discuss any issues arising from the audit.
- (i) Obtain written assurance from the External Auditors confirming their independence throughout the conduct of the audit engagement in accordance with relevant professional and regulatory requirements.
- (j) Review the appropriateness of audit fees to support a quality audit.
- (k) Review the non-audit services provided by the External Auditors and/or its affiliate firms to the Company and its subsidiaries ("Group") for the financial year, including the nature of the non-audit services, fee of the non-audit services individually and in aggregate relative to the external audit fees, and safeguards deployed to eliminate or reduce any threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided.

(4) Internal Auditors

- (a) Review the adequacy of the scope, competency and resources of the internal audit function (including the name and qualification of the person responsible for the internal audit function) and that it has the necessary authority to carry out its work. Person(s) carrying out the internal audit function or activity must be free from any relationship or conflict of interest, which could impair their objectivity and independence.
- (b) Review the internal audit plan, processes, result of the internal audit assessments and investigations undertaken and whether or not appropriate actions are taken on the recommendations and monitor Management's implementation of the recommended actions.
- (c) Conduct a performance evaluation of the internal audit function annually.
- (d) Review whether the internal audit function is carried out in accordance with a recognised framework.
- (e) Review the internal audit plan, programme, processes, and the reporting structure to ensure the internal audit function is independent of the activities it audits and reports directly to the AC.

- (f) Review any letter of resignation from Internal Auditors and provide the Internal Auditors an opportunity to submit reasons for resigning.
 - (g) Review the assistance given by the employees and Management to the Internal Auditors, including any difficulties or disputes encountered during internal audit.
 - (h) Meet the Internal Auditors at least once a year, without Management being present to discuss any issues arising from the internal audits carried out. In addition, the Internal Auditors shall be given the right of direct access to the Chairman of the Board and the AC.
- (5) Related Party Transactions ("RPT"), Recurrent RPT ("RRPT") and Conflict of Interest ("COI")
- (a) Establish comprehensive procedures for identifying, evaluating, approving and reporting all RPT and RRPT, and COI situations;
 - (b) Review and report to the Board any RPT, RRPT and COI situation that arise, persist or may arise within the Group including any transaction, procedures or course of conduct that raises question on management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;
 - (c) Review and establish whether all RRPT have been carried out in accordance with the mandate approved by the shareholders and are on commercial terms no more favourable to the related parties than those available to the public and make recommendation to Board; and
 - (d) Review all non-recurring transactions or corporate proposals involving related parties, to ensure that they are in the best interest of the Company and are not to the detriment of the minority shareholders and make recommendation to Board.
- (6) Whistle-blowing
- (a) Review the implementation and effectiveness of the Whistle-blowing Procedures, by which employees, contractors, service providers, suppliers and members of the public may, in confidence, raise concerns about possible improprieties or misconduct on the part of the Group or its employees including but not limited to, breaches of law or internal policies and procedures.
 - (b) Exercise its powers and carry out its responsibilities as may be required from time to time under the Whistle-blowing Procedures.
 - (c) Report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and

regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

(7) Anti-Bribery and Corruption

Review the systems and controls for ethical behaviour and the prevention of bribery and corruption and receive reports on findings and recommendations for improvement from the Internal Auditors.

(8) Others

- (a) Report to Bursa Securities promptly on any matter reported by the AC to the Board which has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities.
- (b) Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- (c) Conduct any other activities or investigation, as authorised or directed by the Board.

D. MEETING PROCEDURES

(1) **Quorum**

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors.

If the Chairman of the AC is not present within fifteen (15) minutes of the time appointed for holding the same or is unable/unwilling to chair the meeting, the members of the AC present shall elect one (1) of their number of whom is an Independent Non-Executive Director to be the Chairman of the meeting.

(2) **Frequency of Meeting**

Meetings shall be conducted at least four (4) times in each financial year, or more frequently as circumstances may dictate.

The Chairman may call for additional meetings of the AC when required or upon the request made by any AC member, the Internal Auditors or the External Auditors.

(3) **Notice and Venue**

The Secretary, with the concurrence of the Chairman of the AC, shall be responsible for drawing up and circulating the agenda and the notice of AC meetings.

The notice of the AC meeting and meeting materials shall be circulated at least five (5) business days (or a shorter period where it is unavoidable) before each meeting to the AC members.

The notice of every meeting shall be given in writing and served to the AC members either personally or by fax, e-mail, post or courier to his/her address in the Register of Directors or to the address provided by the AC members, as the case may be.

An AC meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables all AC members as a whole to participate for the entire duration of the meeting.

The technology to be used for the purpose of this paragraph must enable each AC member taking part in the meeting to communicate simultaneously with each of the other AC members and may include telephone, television, video conferencing, or any other audio and/or visual device which permits instantaneous communication.

A virtual AC meeting shall be deemed to constitute provided the following conditions are met:-

- (a) all AC members for the time being entitled to receive notice of the AC meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and
- (b) an AC member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously expressly notified the Chairman of the meeting of his/her intention to leave the meeting and an AC member shall be conclusively presumed to have been present and to have formed part of the quorum at all times during such a meeting until such notified time of his leaving the meeting.

The main venue of the meeting shall be the place where the Chairman is present or the Chairman of the meeting is present, if the meeting is not chaired by the Chairman.

(4) Voting

Each member of the AC is entitled to one (1) vote in deciding the matters deliberated in the meeting.

Questions arising at any meeting of the AC must be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman has a second or casting vote. The Chairman shall not have a second or casting vote when only two (2) members (one of whom is the Chairman) form a quorum or when only two (2) members are competent to vote on the question at issue.

An AC member shall abstain from discussion or deliberations or 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 AC member.

(5) Attendance at meetings

Other members of the Board and Management of the Company may attend the meeting (specific to the relevant meeting) upon the invitation of the AC.

The AC shall meet at least once annually with the Internal and External Auditors without the presence of any executive Board members, Management or employees. In addition, the Internal and External Auditors may request for a private session with the AC to discuss any matter of concern.

E. KEEPING AND INSPECTION OF MINUTES

- (1) The Company shall cause minutes of all proceedings of the AC meetings to be entered in books kept for that purpose.
- (2) The minutes of the proceedings of meetings including virtual meetings shall be sufficient evidence of such proceeding and of the observance of all necessary formalities if it is certified as correct by the Chairman of the meeting or the next succeeding meeting.
- (3) The books containing the minutes of proceedings of the AC Meeting shall be kept at the Registered Office or any other place as may be determined by the Board and shall be open for inspection by any AC member or Board member.

F. WRITTEN RESOLUTIONS OF THE AC

- (1) The AC may pass a resolution by way of a written resolution. A written resolution that is signed in accordance with the quorum required by an AC meeting shall be valid and effectual as if it were a resolution duly passed at an AC meeting duly convened and held.
- (2) Any such document may be accepted as sufficiently signed by an AC member if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the AC member and may consist of several documents in like form, each signed by one (1) or more AC members.

G. POWER AND AUTHORITY OF THE AC

The AC shall in accordance with the procedure determined by the Board and at the cost of the Company:-

- (a) have authority to investigate any matter within the Terms of Reference;
- (b) have the resources which the AC requires to perform its duties;
- (c) have full and unrestricted access to any information or documents of the Company or the Group which is required in the discharge of its duties which the AC requires in the course of performing its duties;
- (d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company; and
- (f) be able to convene meetings with the external auditors, person(s) carrying out the internal audit function or activity or both without the attendance of other Directors and employees of the Company, whenever deemed necessary.

H. REPORTING AND OPERATION OF THE AC

- (1) The AC shall take into consideration the following policies in the discharge of its duties and responsibilities:-
 - (a) Policy on External Auditors;
 - (b) Whistle-blowing Procedures;
 - (c) Anti-Bribery and Corruption Policy; and
 - (d) Code of Conduct and Ethics.
- (2) The Chairman of the AC shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and present the recommendations of the AC to the Board accordingly.
- (3) The Chairman of the AC shall engage on a continuous basis with Management, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Company and/or its subsidiaries.
- (4) The AC shall issue an AC Report as part of the Annual Report of the Company, which shall include a summary of the work of the AC in the discharge of its functions and duties for that financial year under reporting and how it has met its responsibilities.
- (5) The AC shall also provide relevant information and review all reports and statements under the purview of the AC to assist the Board in making the required disclosures in the Annual Report and Corporate Governance Report.
- (6) The AC shall conduct an annual assessment of its own performance. The Nomination and Remuneration Committee shall review the term of office and performance of the AC and each of its members annually to determine whether the

AC and its members have carried out their duties in accordance with this Terms of Reference and report to the Board accordingly.

- (7) The AC shall review this Terms of Reference periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's duties and responsibilities and recommend any changes it considers necessary to the Board.

The Terms of Reference shall be made available on the Company's website at www.khind.com.my.

This Terms of Reference was last reviewed on 22 February 2024.