



NEW HOONG FATT HOLDINGS BERHAD

Registration No. 199701010213 (425709-K)

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

Current Review Date: 27 February 2025

NEW HOONG FATT HOLDINGS BERHAD
TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

MEMBERS:

- Ng Chee Kiet, Independent Non-Executive Director (Chairman)
- Oei Kok Eong, Senior Independent Non-Executive Director
- Chia Swee Yuen, Independent Non-Executive Director

TERMS OF REFERENCE:

1. Composition

- (a) The members of the Audit and Risk Management Committee (“ARMC”) of New Hoong Fatt Holdings Berhad (“the Company”) shall be appointed from amongst the Board of Directors (“the Board”) and shall comprise not less than three (3) members who fulfils the following requirements:
- (i) all the ARMC members must be Non-Executive Directors, with a majority of them being Independent Directors; and
 - (ii) at least one (1) member who is a member of the Malaysian Institute of Accountants or who complies with paragraph 15.09 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) or fulfils such other requirements as prescribed or approved by Bursa Securities.
- (b) No alternate Director of the Board shall be appointed as ARMC member.
- (c) The Chairman of the Board should not be an ARMC member.
- (d) The Chairman, who shall be elected by the ARMC, shall be an Independent Director and shall not be the Chairman of the Board.
- (e) The appointment of ARMC member will terminate when the member ceases to be a Director of the Company, or as determined by the Board.
- (f) In the event of any vacancy resulting in non-compliance with the terms of reference hereof, the vacancy must be filled within three (3) months.
- (g) The term of office and performance of the ARMC and each of its members shall be reviewed by the Nomination Committee annually in order to determine whether the ARMC and its members have carried out their duties in accordance with its Terms of Reference.
- (h) A former partner of the audit firm and/or its affiliate companies involved in the audit and non-audit work provided to the Company and its subsidiaries (collectively “the Group”) must observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.
- (i) All the ARMC members should be financially literate, competent and are able to understand matters under its purview including the financial reporting process.
- (j) The Company Secretary or her nominee, or such other person authorised by the ARMC shall act as the Secretary of the ARMC.

2. Functions and Duties

2.1 Financial reporting

- (a) Review the quarterly reports on consolidated financial results and annual financial statements prior to submission to the Board, focusing particularly on:
- (i) changes in or implementation of major accounting policies and practices;

- (ii) significant matters highlighted including financial reporting issues, significant judgments made by the Management, significant and unusual events or transactions, and how these matters are addressed;
 - (iii) the going concern assumption;
 - (iv) integrity of financial statements; and
 - (v) compliance with accounting standards and other legal requirements.
- (b) Discuss the problems and reservations arising from the audits, and any matter the Internal and External Auditors may wish to discuss (in the absence of the Management, where necessary).

2.2 External audit

- (a) Review the following:
- (i) the audit plan, its scope and nature with the External Auditors;
 - (ii) the audit reports and management letter issued by the External Auditors and the implementation of audit recommendations;
 - (iii) the results of the External Auditors' evaluation of the accounting policies and systems of internal accounting controls within the Group; and
 - (iv) the assistance given by the employees of the Group to the External Auditors.
- (b) Evaluate the performance of the External Auditors and their independence on an annual basis; make recommendation to the Board regarding the appointment, or re-appointment and the audit fee, consider any resignation and removal of the External Auditors and any concerns on their resignation or dismissal before making a recommendation to the Board. In determining the appointment/re-appointment of the External Auditors, the ARMC must consider the suitability factors as set out in the External Auditors' Policy and Procedures.
- (c) Obtain, on an annual basis, a written confirmation from the External Auditors 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.
- (d) Discuss the nature for the provision of non-audit services, which can be entered into by the Group with the External Auditors or their affiliates based on the procedures outlined in the External Auditors' Policy and Procedures. The ARMC should also assess their suitability to determine whether their skills and experience qualify them as an appropriate provider for the non-audit service(s).

2.3 Internal audit

- (a) Assess the quality, effectiveness and efficiency of the internal control system of the Group and advise the Board on setting appropriate policies on internal control.
- (b) Consider the appointment (or re-appointment as the case may be), removal or resignation and remuneration of the Internal Auditors. Where the internal audit function is in-house, approve any appointment or termination of senior staff members and take cognisance of resignations of its staff members, providing them an opportunity to submit reasons for resigning.

- (c) Review the adequacy of the scopes, functions, competencies, and resources of the internal audit function; to ensure that the internal audit is carried out in accordance with a recognised framework and that it has the necessary authority and access to information to carry out its work effectively.
- (d) Review the internal audit plan, processes, and the results of the internal audit assessments or investigation undertaken, the Management's response and, where necessary, ensure that appropriate action is taken on the recommendations of the internal audit assessment.
- (e) Carry out an annual assessment of the performance and effectiveness of the internal audit function, whether in-house or outsourced.
- (f) Ensure that the internal audit function is independent of the work it audits and the Head of Internal Auditors reports directly to the ARMC. The Head of Internal Auditors should have the relevant qualifications and be responsible for providing assurance to the ARMC that the internal controls are operating effectively. Upon request by the ARMC, the Internal Auditors shall review and/or assess the effectiveness of the Group's risk management, internal controls, anti-corruption measures, whistle-blowing procedures and governance processes.

2.4 Risk management

- (a) Review and recommend to the Board on the matters relating to risk management policies and strategies of the Group, which addresses key elements of the enterprise risk management framework, risk appetite, strategies, processes and methodology.
- (b) Oversee and monitor the adequacy and effectiveness of the risk management system put in place by the Management in tandem with the changing business circumstances to safeguard shareholders' interests and the Group's assets.
- (c) Review and discuss with the Management:
 - (i) the guidelines and policies governing the Group's significant processes for risk assessment and risk management;
 - (ii) the validity of the identified risks and ensuring appropriate actions are taken to mitigate the risks;
 - (iii) the adequacy of infrastructure, resources and systems that are available for an effective and efficient risk management process; and
 - (iv) the periodic reports on risk exposure, risk portfolio, composition and risk management activities.
- (d) Report to the Board on the Group's risk exposures, including the review of the risk assessment framework used to monitor the risk exposures, the level of risks faced by the Group and actions taken by the respective business units/division to address the risks.
- (e) Periodically review the Anti-Bribery and Corruption Policy and Procedures to ensure that it remains relevant and appropriate.
- (f) Review the identified significant and material economic, environmental and social ("EES") risks and opportunities in relation to existing sustainable business practices and reporting framework and ensuring the effective management of such EES risks and opportunities impacting the principal businesses of the Group.

- (g) Monitor and review the Whistleblowing Policy and Procedures of the Group to ensure it is functioning effectively and remains accessible to all stakeholders.

2.5 Corporate governance and others

- (a) Review any related party transaction and conflict of interest situation that arose, persist or may arise within the Company or the 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.
- (b) Monitor the implementation of sustainability/ environmental, social and governance (ESG) planning and review the Company's sustainability disclosures (both qualitative and quantitative) and ensure that the processes and controls are in place to ensure the disclosures are accurate, comparable, and consistent.
- (c) Submit to the Board a report on the summary of activities of the ARMC in the discharge of its functions and duties in respect of each financial year including details of relevant training attended by the ARMC members for inclusion into the Annual Report of the Company.
- (d) Review the ARMC's Report and the Statement on Internal Control and Risk Management of the Group for inclusion in the Annual Report.
- (e) Review and assess the adequacy and relevance of its Terms of Reference annually and recommend any changes it considers necessary to the Board for endorsement.
- (f) The ARMC Chairman shall engage on a continuous basis with senior management, such as the Chairman of the Board, the Managing Director, the Head of Finance, the Head of Internal Auditors and External Auditors in order to be kept informed of matters affecting the Company and the Group.
- (g) The ARMC Chairman shall attend the Company's Annual General Meeting to respond to any question that may be raised by shareholders on the ARMC activities or matters within its area of responsibility.
- (h) Consider other matters as delegated by the Board.

3. Rights

The ARMC shall:

- (a) have 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 any employee and information pertaining to the Group;
- (d) have direct communication channels with the Internal and External Auditors on a continuous basis in order to be kept informed of matters affecting the Group;
- (e) have the right to obtain independent professional or other external advice at the expense of the Company, with prior consent of the Board;
- (f) have the right to convene meetings with the Internal and External Auditors, without the attendance of the other Directors or employees of the Group, whenever deemed necessary; and

- (g) promptly report to Bursa Securities matters which have not been satisfactorily resolved by the Board resulting in a breach of the Listing Requirements of Bursa Securities.

4. Meetings

- (a) The ARMC shall meet at least four (4) times in each financial year and report its recommendations, findings or decisions to the Board after each meeting.
- (b) Reasonable notice of meetings, the agenda of the business to be conducted and the accompanying meeting papers shall be given to members of the Committee at least one (1) week before each meeting.
- (c) The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be Independent Directors.
- (d) In the absence of the ARMC Chairman, the other ARMC members shall amongst themselves elect an Independent Director to chair the meeting.
- (e) A circular resolution in writing signed by the ARMC members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting of the ARMC duly convened. Any such resolution may consist of several documents in like form, each signed by one (1) ARMC member or more and shall include signed copies via legible facsimile transmission or other written electronic means.
- (f) Any ARMC member may participate in any ARMC meeting via telephone conferencing, video conferencing or by means of any communication technology which allows all participants in the meeting to communicate with each other. A member so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- (g) The Secretary of the ARMC shall attend the meetings and minute the proceedings thereof. The draft minutes shall be circulated to all members of the Committee for comment and approval within 30 days after the meetings. The approved minutes shall then be made available to Board members who are not ARMC members for notation. The ARMC must ensure that the minutes accurately reflect the deliberations and decisions made, including whether any members abstained from voting or deliberating on a particular matter.
- (h) The ARMC Chairman shall upon request of the Internal or External Auditors convene an ARMC meeting to consider any matter the Internal or External Auditors believe should be brought to the attention of the ARMC members or shareholders.
- (i) The External Auditors, the Head of Internal Auditors, the Managing Director and the Head of Finance are normally invited to attend the ARMC meeting.
- (j) The ARMC may extend an invitation for other Directors, Management or external advisers to attend meetings or be present for a particular agenda as and when appropriate.
- (k) The ARMC should meet with the External Auditors without the presence of Executive Directors or Management representatives at least twice a year.

5. Disclosure

The ARMC shall prepare a Committee Report at the end of each financial year for inclusion in the Annual Report of the Company. The Committee Report shall include the following information:

- (a) Composition of the ARMC, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- (b) Number of ARMC meetings held during the financial year and details of attendance of each Committee member;

- (c) Summary of the work carried out by the ARMC in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities;
- (d) Summary of the work of the internal audit function; and
- (e) Summary of any conflict of interest or potential conflict of interest situation reviewed by the ARMC (excluding a related party transaction), and the measures taken to resolve, eliminate or mitigate such conflicts.

The ARMC shall also assist the Board in making the following additional statements in the Annual Report of the Company:

- (a) Statement explaining the Board's responsibility for preparing the annual audited financial statements of the Group; and
- (b) Statement about the state of risk management and internal controls of the Group. The External Auditors must review such statement and report the results thereof to the Board.

6. Review of the Terms of Reference

The Terms of Reference of the ARMC should be reviewed annually and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the duties and responsibilities of the ARMC.

The Terms of Reference of ARMC is made available on the website of the Company at www.newhoongfatt.com.my.