MKH BERHAD

Registration No: 197901006663 (50948-T)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. OBJECTIVES

The primary objective of the Audit Committee (**"AC"**) is to assist the Board of Directors (the **"Board"**) of MKH Berhad (the **"Company"**) in: -

a) provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in overseeing the Company and its subsidiaries (**"Group"**)'s accounting and management controls, financial reporting process to ensure accurate and timely financial reporting and compliance with applicable financial reporting standard;

b) evaluating the internal and external audit processes;

c) overseeing the risk management and internal control framework and policies of the Group, and ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets; and

d) reviewing related party transactions and conflict of interest situations.

2. COMPOSITION

The AC shall be appointed by the Board from amongst the directors of the Company (**"Directors"**) and shall consist of at least three (3) members. All AC members must be Non-Executive Directors, with a majority of them being independent directors and the Chairman of the Board shall not be a member of the AC.

At least one member of the AC must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experiences as approved under Paragraphs 15.09(1)(c)(ii) and 15.09(1)(c)(iii) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (**"Bursa Securities"**).

No alternate Director shall be appointed as a member of the AC and no former key audit partner(s) of the Group's external auditors and/or its affiliates shall be appointed as a member of the AC unless he/she has observed a cooling-off period of at least three (3) years before his/her appointment as a member of the AC.

The Chairman of the AC shall be an Independent Non-Executive Director who is not a Chairman of the Board.

In the event the number of members is reduced to below three (3) or there is no Chairman, the Board shall, within three (3) months of that event, appoint such number of new members or Chairman as may be required to fulfil the requirements.

All AC members shall be financially literate and collectively have sufficient understanding and knowledge of the Group's business and industry in which the Group operates. The AC members should also undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The Board via Nomination Committee shall review the term of office and performance of the AC and each of its members annually to determine whether the AC members have carried out their duties in accordance with the terms of reference.

3. QUORUM

The quorum shall not be less than two (2) members, the majority of whom shall be Independent Non-Executive Directors.

In the absence of the Chairman, the members present shall elect one amongst themselves to be the Chairman of the meeting.

4. ATTENDANCE AND FREQUENCY OF MEETING

The AC shall meet as the Chairman deems necessary but not less than four (4) times a year, and at least twice a year, meet with the external auditors without any executive officer of the Group being present. The Chairman shall be entitled, where deemed appropriate, to invite any person(s) to attend meetings of the AC.

The external and internal auditors may request for additional meetings if they consider it necessary.

All or any members of the AC may participate in a meeting of the AC by means of video or tele-conferencing or any other communication equipment, which allows all members of the AC participating in the meeting to communicate simultaneously with each other. A member of the AC 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.

5. AUTHORITY

The AC is authorised by the Board to investigate any matter within its terms of reference and report to the Board with recommendations. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the AC.

The AC has direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity for the Group including convening meetings with them without the attendance of other Directors and employees of the Company, whenever deemed necessary.

The AC is authorised by the Board to obtain outside legal or other independent professional advice it considers necessary and reasonable for the performance of its duties.

6. DUTIES AND RESPONSIBILITIES

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

(a) to recommend to the Board the appointment of the external auditors based on factors including but not limited to suitability, resources, competency and independence of the external auditors, and their audit fee thereof.

(b) to review the non-audit services performed by the external auditors taking into consideration the types of services rendered and their fees in accordance with the external auditors assessment policy and to ensure that the independence of the external auditors is not compromised;

(c) to make appropriate recommendations to the Board on matters of resignation or dismissal of external auditors or internal auditors;

(d) to discuss with the external auditors and internal auditors before the audit commences, the nature and scope of the audit plan and ensure co-ordination where more than one audit firm is involved;

(e) to review the quarterly and year-end financial statements of the Group and Company before submission to the Board, focusing particularly on: -

i) public announcement of results and dividend payment;
ii) any changes in accounting policies and practices;
iii) significant matters highlighted including financial reporting issues, significant adjustments arising from the audit, significant and unusual events or transactions and how these matters are addressed;
iv) the going concern assumption;
v) compliance with applicable accounting standards; and
vi) compliance with stock exchange and other legal requirements.

(f) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditors and internal auditors may wish to discuss (in the absence of management) at least twice a year;

(g) to conduct an annual assessment of the competency and independence of the external auditors pursuant to the external auditors assessment policy and undertaking follow-up measures, where required;

(h) to review any external auditors' letter to management (if any) and management's response;

(i) to do the following where an internal audit function exists: -

i) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
ii) review the internal audit programme, processes, and results of the internal audit process and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit function;
iii) review with the external auditors, their evaluation of the system of internal controls and audit report;
iv) approve any termination of internal auditors;
v) review the assistance given by the employees of the listed issuer to the external auditors;
vi) investigate or cause to be investigated any activity within its Terms of Reference;
vii) to have explicit authority over the resources such as professional advice and full access to information to investigated any matters within its Terms of Reference; and

viii) inform itself of resignation of external/internal auditors and provide the external/internal auditors an opportunity to submit the reasons for resigning.

(j) to review the risk management committee's reports regarding the Group's risk exposure and where necessary ensure that appropriate actions are taken;

(k) to review any related party transactions and conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(l) to review the adequacy of processes that the Company of Group has in place for evaluating, approving, tracking and reporting of related party transactions, the following, amongst other things, will be considered: -

i) the rationale and the cost/benefit to our Company is first considered;
ii) where possible, comparative quotes will be taken into consideration;
iii) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length basis;
iv) that the transactions are not detrimental to our Company's minority shareholders; and

all reviews by the AC will be reported to the Board for its further action.

(m) to consider the major findings of internal audit investigations and management's response;

(n) to report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected breach of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board;

(o) to assist the Board in making disclosures concerning the activities of the AC in the report of the AC, and Statement on Risk Management and Internal Control to be issued in the annual report;

(p) to exercise its powers and carry out its responsibilities as may be required from time to time under the whistle-blowing policy and procedures for the Group.;

(q) to consider other topics, as defined by the Board.

7. REPORTING PROCEDURES

The Company Secretary shall be the secretary of the AC.

The Company Secretary shall draw up the agenda for each meeting in consultation with the Chairman of the AC. The agenda and the minutes of meeting(s) of the AC shall be sent to all members of the AC at least seven (7) calendar days before each meeting of AC.

Detailed audit reports by internal auditors and the respective management response, financial and non-financial meeting materials are circulated at least seven (7) calendar days prior to the meeting to all AC members for their perusal.

The Company Secretary shall record the proceedings of meetings and the minutes of the AC shall be confirmed and signed by the Chairman of the AC or the presiding Chairman of the next succeeding meeting.
All recommendations of the AC shall be submitted to the Board for approval. The AC, through its Chairman, shall report to the Board after each meeting.

The AC may report to Bursa Securities on any matters reported by it to the Board which has not been satisfactorily resolved, resulting in a breach of the Bursa Securities Listing Requirements.

8. CIRCULAR RESOLUTION

A resolution in writing described as "Circular Resolutions of the AC" signed by a majority of the AC members shall be valid and effectual as if it had been passed at a meeting of the AC duly called and constituted. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The resolution in writing may be accepted as sufficiently signed by the AC member if transmitted to the Company via facsimile or other forms of electronic communications.

9. ANNUAL GENERAL MEETING

The Chairman of the AC should attend the annual general meeting to answer questions raise by the shareholders pertaining to the AC's activities.

10. APPROVAL, REVISION AND UPDATES

This term of reference of AC has been reviewed and approved by the Board on 27 February 2025 and will be reviewed and updated periodically to ensure it remains consistent with any new best practices and new legal or regulatory requirements.