



LEONG HUP INTERNATIONAL BERHAD

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AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

23 NOVEMBER 2018

(Last reviewed on 25 April 2024)

Audit and Risk Committee Terms of Reference

I. Purpose

The Board of Directors of the Company (“Board”) has established a committee of the Board known as Audit and Risk Committee (“ARC” or “the Committee”) to assist the Board in discharging its roles and responsibilities as set out below in its Terms of Reference, which is a requirement under the Malaysian Code on Corporate Governance (“MCCG”) and Paragraphs 15.11 and 15.12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”).

The Terms of Reference will not only help the Committee members to focus on their roles and responsibilities but the disclosure of such will also enable shareholders to be apprised of the roles and responsibilities of the Committee.

II. Roles And Responsibilities

The roles and responsibilities of the Committee comprise among others, the following:

- (i) Risk & Internal Control
 - (a) consider the adequacy and effectiveness of risk management function and internal control system within our Group;
 - (b) review risk management report on interval basis;
 - (c) discuss any significant risk or exposure and mitigation plan undertaken by our Group;
 - (d) understand the scope of internal and external auditors’ review of internal control over:
 - reliability and accuracy of financial reporting;
 - effectiveness and efficiency of operation;
 - compliance with applicable laws and regulation; and
 - safeguarding of assets.
 - (e) evaluate new risks identified by our management including the likelihood of emerging risks happening in the future and consider the need to put in place the appropriate controls;
 - (f) review and recommend our Group’s level of risk tolerance and actively identify, assess and monitor key business risks;
 - (g) recommend for our Board’s approval our Group’s risk management framework, policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto; and
 - (h) evaluate the effectiveness of the risk management framework, risk management processes and support system to identify, assess, monitor and manage our Group’s key risks.

(ii) Internal Audit function

- (a) review and approve annual internal audit plan;
- (b) 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;
- (c) review any significant observations from the internal audit reports and the management's action plan arising from audit recommendation;
- (d) review any major findings of internal investigations and management's response;
- (e) decide on the appointment and removal of the internal auditor and review the budget for the internal audit function; and
- (f) review any letter of resignation from internal auditor and provide the internal auditor an opportunity to submit reasons for resigning.

(iii) External Auditor and Financial Reporting

- (a) consider the appointment or re-appointment of the external auditor, audit fees as proposed by external auditor and any question of resignation or dismissal;
- (b) discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) review the adequacy of the scope, functions and resources of the external auditor, and that it has the necessary authority to carry out its work;
- (d) review the quarterly and annual financial statements of our Group prior to the Board approval, focusing particularly on:
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- (e) discuss problems and reservations arising from the interim and final audits, and any matter both internal and external auditor may wish to discuss (in the absence of management where necessary);
- (f) review the external auditor's management letter and response from management;
- (g) review the non-audit services provided by the external auditor and/or its affiliates including the nature and the extent of the non-audit services and the appropriateness of the level of fees as to eliminate or reduce the threat to objectivity and independence of the conduct of the external audit resulting from the non-audit services provided; and
- (h) obtain written assurance from the external auditor confirming 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 requirement.

(iv) Other matters

- (a) review any related party transaction or conflict of interest situation that arose, persist or may arise within our Group, including any transaction, procedure or course of conduct that raises question of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;
- (b) disclose in the ARC report a summary of the conflict of interest or potential conflict of interest situation that the ARC has reviewed, and the measures taken to resolve, eliminate, or mitigate such conflicts;
- (c) verify the allocation of shares and options to ensure it is in accordance with the criteria stipulated in the by-laws of the employees share scheme;
- (d) report to the Board on the Committee's activities, issues and meetings' resolution; and
- (e) undertake any other responsibilities as agreed by the Committee and our Board.

III. **Members and Chairman**

1. The Committee shall consist of at least three (3) members all of whom shall be appointed by the Board amongst its Directors. The Committee shall comprise exclusively of Non-Executive Directors, with a majority being Independent Non-Executive Directors. The Chairman of the Board shall not be a member of the Committee.
2.
 - a) The Committee shall have at least one (1) member of the Malaysian Institute of Accountants ("MIA"); or
 - b) If the member of the Committee 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) fulfil such other requirements as prescribed or approved by Bursa Securities.
3. A former key audit engagement partner of the external auditors of the Company must first observe a cooling-off period of at least three (3) years before he/she being appointed as a member of the ARC (as defined in Note 11 to Practice 9.2 of the MCCG).
4. The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director and shall not be the Chairman of the Board. In the absence of the Chairman and/or a deputy appointed by the Board in any meeting, the remaining members present shall elect one (1) of themselves to chair the meeting.

5. All members of the Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the Committee cease to be a Director of the Company, his membership in the Committee will cease forthwith.
6. No Alternate Director of the Board shall be appointed as a member of the Committee.
7. All members of the ARC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
8. In the event of any vacancy in the ARC resulting in the non-compliance with paragraphs 15.09(1) and 15.10 of the MMLR, the Board must fill the vacancy within three (3) months of that event.
9. The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually.

IV. Meetings

1. The ARC shall meet regularly and hold at least four (4) meetings in a year. In addition, the Chairman of the Committee may call for additional meetings at any time at his/her discretion.
2. To form a quorum in respect of a meeting, the majority of the Committee's members present must be Independent Non-Executive Directors.
3. Matters at any meeting shall be decided by a majority vote of the members present, each member having one (1) vote. In the event of equality of votes, the Chairman of the Committee shall have a second or casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman of the Committee will not have the second or casting vote.
4. The Chairman of the ARC shall chair the Committee's meetings. If he is not present at any meeting within fifteen (15) minutes of the time appointed for holding the same, the members of the ARC present shall choose one of their numbers who shall be an Independent Non-Executive Director to be the chairman of the meeting.
5. Other Directors and employees may attend any particular meetings upon the invitation of the ARC. The ARC shall meet with external auditors or the internal auditors or both, without the presence of any executive Board members, Management or employees, whenever deemed necessary.
6. The minutes of the ARC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting. The minutes of the Committee, when approved by the Committee and signed by the Chairman of the Committee, should be circulated to the Board.
7. A resolution in writing, signed by all members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.

8. The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder's questions on the Committee's activities.

V. Reporting

The Committee, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

VI. Authority

The Company must ensure that wherever necessary and reasonable for the performance of its duties, the Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:

- (a) have authority to investigate any matter within this Terms of Reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and the internal auditors; and
- (e) be able to obtain independent professional or other advice.

VII. Secretary

The Company Secretary or other persons appointed by the Board (if any) shall be the Secretary of the Committee and shall be responsible, with the concurrence of the Chairman of the Committee, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting and shall be entrusted to record all proceedings and minutes of all meetings of the Committee.

VIII. Review of the Terms of Reference

1. The Terms of Reference will be reviewed as and when required and updated in accordance with the needs of the Company and any new regulations. Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval
2. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

The Terms of Reference of the ARC was last reviewed by the Board on 25 April 2024.