

Lien Hoe Corporation Berhad (Company No. 8507-X)

Terms of Reference of Audit and Risk Management Committee

Composition

The Audit and Risk Management Committee (“Committee”) shall be appointed by the Board of Directors (“the Board”) from amongst its Directors who fulfils the following requirements: -

- (a) it must be composed of no fewer than 3 members;
- (b) all members must be non-executive directors, with a majority of them being independent directors;
- (c) at least one member of the Committee:-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and:-
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - 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) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- (d) no alternate director is appointed as its member.

The members of the Committee must elect a chairman among themselves who is an independent director. The Chairman of the Committee shall not be the Chairman of the Board.

In the event of any vacancy in the Committee resulting in the non-compliance of the composition above, the Company must fill the vacancy within 3 months.

A former key audit partner shall not be appointed as a member of the Committee unless he observes a cooling off period of at least two years prior to the appointment.

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

Rights of the Committee

The Company must ensure that wherever necessary and reasonable for the performance of its duties, the Committee must, 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 its 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 person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional, legal or other advice; and
- (f) be able to convene meetings with the external auditors, person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Reporting of Breaches to Bursa Malaysia Securities Berhad

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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

Key Functions, Roles and Responsibilities of the Committee

The key functions, roles and responsibilities of the Committee are as follows:-

- (a) To review
 - (i) with the external auditors, the audit plan;
 - (ii) with the external auditors and internal auditors, the evaluation of the system of internal controls;
 - (iii) with the external auditors, the audit report;
 - (iv) the assistance given by the Company's officers to the external auditors;
 - (v) 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, and shall decide on the appointment and removal, scope of work, performance evaluation and budget for the internal audit function;

- (vi) the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal auditors;
 - (vii) the quarterly results and financial statements, prior to the approval by the Board, focusing particularly on:-
 - changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - compliance with accounting standards and other legal requirements;
 - (viii) any related party transaction and conflict of interests situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (ix) any letter of resignation from the external auditors of the Company;
 - (x) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
 - (xi) the allocation of options granted pursuant to the Employees' Share Option Scheme ("ESOS") in compliance with the criteria as stipulated in the by-law of ESOS of the Group, if any.
- (b) In relation to risk management:-
- (i) to review the adequacy and effectiveness of the risk management framework, policy, process and procedures undertaken and whether or not appropriate risk management control action is taken to safeguard the interests of the stakeholders;
 - (ii) to identify, evaluate, manage and respond to risks to achieve the objectives of the Group; and
 - (iii) to review the Registry of Risks and Risk Management Handbook.
- (c) to review the matters directed to the Committee as set out in the Whistle-Blowing Policy.
- (d) To review such other functions or assignments as may be delegated by the Board from time to time within the scope of the Committee.
- (e) To recommend the nomination, appointment or re-appointment of external auditors, and, to assess annually the suitability, objectivity and independence of the external auditors, in accordance with the Company's External Auditors Assessment Policy.
- (f) To consider such other functions as may be agreed to by the Committee and the Board.

Meetings of the Committee

Meetings of the Committee shall be held no fewer than 4 times a year and additional meeting may be held, at the discretion of the Chairman of the Committee. The Group Financial Controller and representative(s) of the internal auditors shall normally attend the meetings. Upon the request of the external auditors, the Chairman of the Committee must convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.

Other Board members, Management or employees of the Company or the Group, representative(s) of the external auditors and internal auditors may attend the meetings upon the invitation of the Committee.

In order to form a quorum in respect of a meeting of the Committee, the majority of members present must be independent directors. The meetings and proceedings of the Committee are governed by the provisions of the Company's Constitution.

The Chairman of the Committee shall report the proceedings of each meeting to the Board.

Secretaries

The Company Secretaries shall be the Secretaries of the Committee and, with the concurrence of the Chairman, to draw up and circulate the notice of meeting inclusive agenda prior to a meeting.

The Secretaries of the Committee shall be entrusted to record all proceedings and minutes of each meeting. The minutes of each meeting shall be kept at the registered office of the Company and minutes of the meetings shall be circulated to the Committee and to all members of the Board.

Circular Resolution

A resolution in writing, signed by a majority of the Committee members present in Malaysia for the time being entitled to receive notice of a meeting of the Committee, shall be as valid and effectual as if it had 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 of the members of the Committee.

This Terms of Reference is revised, approved and adopted by the Board on 30 March 2018.

The Terms of Reference of the Committee is also available for reference in the Company's website at www.lienhoe.com.my