

LIM SEONG HAI CAPITAL BERHAD
Registration No. 202001036664 (1392985-A)

TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

1. Objectives

1.1 The Audit and Risk Management Committee of Lim Seong Hai Capital Berhad (“**Company**”) (“**Committee**”) was formed by the Board of Directors of the Company (“**Board**”). Its primary function is to assist the Board in fulfilling its statutory and fiduciary responsibilities as well as its oversight responsibilities in respect of the following activities of the Company and its subsidiaries (“**Group**”):

- (a) oversee the financial reporting process;
- (b) evaluate the internal and external audit processes, including issues pertaining to the system of internal control and risk management within the Group;
- (c) assist the Board in meeting its responsibilities relating to accounting and reporting practices of the Group;
- (d) review and assess the Group’s process relating to its risks and control environment;
- (e) review and assess the conflict of interest situations and related party transactions;
- (f) maintain open lines of communication among the Board, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- (g) undertake any such other functions to fulfil the foregoing objectives as may be determined by the Board from time to time.

2. Composition

2.1 The Board shall elect from amongst themselves, at least three (3) members of the Board to be the members of the Committee. The Chairman of the Committee shall not be the Chairman of the Board and shall be an independent director.

2.2 All members of the Committee shall be non-executive directors, with a majority of them being independent directors as defined under Rule 1.01 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

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- 2.3 No alternate director shall be appointed as a member of the Committee.
- 2.4 The members of the Committee shall be financially literate and the Committee shall have at least one (1) member:
- (a) who is a member of the Malaysian Institute of Accountants; or
 - (b) if otherwise, who must have at least three (3) years' working experience and:
 - (i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) is a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (c) fulfils such other requirements as prescribed or approved by Bursa Securities.
- 2.5 The members of the Committee should possess a wide range of necessary skills to discharge their duties. All members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.6 No former partner of the external audit firm of the Company shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years.
- 2.7 The appointment of the Committee member shall terminate when the member ceases to be a director. The Board may revoke the appointment of a Committee member and/or vary the term of appointment of a Committee member at any time as it deems fit.
- 2.8 If there is any vacancy in the Committee which results in non-compliance of the Listing Requirements, the Board must fill the vacancy within three (3) months.
- 2.9 The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually to determine whether the Committee and each of its members have carried out their duties in accordance with this Terms of Reference of the Committee.

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3. Meetings

- 3.1 The quorum for a Committee meeting shall be two (2) members, a majority of whom shall be independent directors. In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting from the members present. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.2 Each member of the Committee is entitled to one (1) vote in deciding the matters deliberated in the Committee meeting.
- 3.3 The decision that gained the majority votes shall be the decision of the Committee.
- 3.4 In the event of an equality of votes, the Chairman of the Committee shall be entitled to a second or casting vote in addition to the votes to which he/she may be entitled as a member of the Committee.
- 3.5 The Committee shall meet at least four (4) times a year or more frequently as circumstances dictate, whereby
- (a) at least twice a year, the Committee's meeting shall involve external auditors; and
 - (b) at least once a year, the Committee's meeting shall involve internal auditors,
- without the presence of any executive Board members, management or employees.
- 3.6 The Chairman of the Committee shall call for a meeting of the Committee if a request is made by any Committee member, the Company's Managing Director or the Company's external auditors.
- 3.7 The Committee may, as and when deemed necessary, invite the other Board members, senior management, employees of the Company and/or any external parties to attend specific meetings of the Committee.
- 3.8 The management, the internal auditors and external auditors may request for a private session with the Committee to discuss any matter of concern.

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- 3.9 The Secretary of the Committee (as detailed in Section 4 herein), with the concurrence of the Chairman of the Committee, shall prepare an agenda to be circulated together with the notice of meeting and relevant supporting documents, at least seven (7) days prior to each Committee meeting to the members of the Committee, except for meetings that may require to be conducted at short notice. Reasonable time should be given to the Committee members and other attendees, if any, to consider all relevant materials prior to the Committee meeting.
- 3.10 A meeting of the Committee shall normally be conducted in person to enable effective discussion. However, meetings may also be conducted through virtual means such as telephone conferencing, video conferencing or other methods of simultaneous communication by electronic or telegraphic means as determined by the Committee. The minutes of any meeting conducted as aforesaid signed by the Chairman of the Committee or the Chairman presiding the meeting (where applicable) shall be conclusive evidence of such meeting.
- 3.11 To avoid conflict of interest, a member of the Committee shall abstain from participating in discussions and deliberations on any matters involving him/her and/or person(s) connected to him/her.

4. Secretary

- 4.1 The Company Secretary shall act as Secretary of the Committee.
- 4.2 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee and shall be responsible for the custody, production and inspection of such minutes.

5. Reporting

- 5.1 In addition to making available the detailed minutes of the Committee meetings to the Board, the Chairman of the Committee shall at each Board meeting, report a summary of significant matters and resolutions discussed at the last Committee meeting.
- 5.2 The Committee shall submit an annual report to the Board, summarising the Committee's activities during the financial year on how it has discharged its functions and duties for that financial year and how it has met its responsibilities (including all related significant results and findings thereof as well as details of relevant training attended by each Committee member).
- 5.3 Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved which may result in a breach of the Listing Requirements, the Committee shall promptly report such matter to Bursa Securities.

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6. Authority

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

- 6.1 have the authority to investigate any matter within this Terms of Reference;
- 6.2 have adequate resources required to perform its duties;
- 6.3 have full and unrestricted access to any information pertaining to the Company or Group;
- 6.4 have direct communication channels with the external auditors and internal auditors;
- 6.5 engage, consult and obtain the advice of the external legal or other independent professional and to secure the attendance of external parties with the relevant experience and expertise it considers necessary; and
- 6.6 convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

7. Responsibilities and duties

In fulfilling its objectives, the Committee shall undertake the following responsibilities and duties:

External Audit

- 7.1 to recommend the appointment or re-appointment of external auditors, the audit fee (having assessed its appropriateness) and consider any question of re-appointment, resignation or dismissal of the external auditors;
- 7.2 to set policies and procedure for the purpose of assessing and monitoring the performance (which includes its audit quality and resource capacity), suitability, objectivity and independence of the external auditors on an annual basis to ensure that it is able to carry out its function effectively and independently;
- 7.3 to review and discuss with the external auditors:
 - (a) prior to the audit commences, their audit plan which shall state the nature, extent and scope of the audit, and ensure co-ordination where more than one firm is involved in the audit;

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- (b) any substantial change to the audit plan after the audit commences;
 - (c) their evaluation of the system of the internal controls;
 - (d) their audit report;
 - (e) significant findings raised by the external auditors to the management including review of the external auditors' management letter, the management's responses, the status of the previous audit recommendations and proposed adjustments;
 - (f) the assistance given by the Group's employees to the external auditors, including any difficulties or disputes with the management encountered during the audit; and
 - (g) the issues and reservations arising from the interim and annual audits, and any matter which the external auditors may wish to discuss (in the absence of management where necessary) at least once (1) a year or more frequently as necessary;
- 7.4 to ensure and confirm that the management has placed no restriction on the extent or scope of the audit.
- 7.5 to provide a direct line of communication between the Board and the external auditors;
- 7.6 to review the non-audit services provided by the external auditors and/or its network firms to the Group for the financial year, including but not limited to:
- (a) the nature, extent and scope of the non-audit services; and
 - (b) the fees of the non-audit services, individually and in aggregate, relative to the external audit fees
- in order to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided; and
- 7.7 to review and provide advice on whether the financial statements of the Company taken as a whole provide a true and fair view of the Company's financial position and performance.

Internal Audit

- 7.8 to establish and ensure that the Company's internal audit function is independent from the external audit function, and that it has the necessary authority to carry out its function;

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- 7.9 to review and approve the internal audit charter which defines the purpose, authority, scope and responsibilities of the internal audit function (where required);
- 7.10 to review and oversee the effectiveness of the internal control system of the Company which shall include the review of the adequacy of the internal audit's extent, scope and plan, the functions, competency and resources of the internal audit function;
- 7.11 to ensure that the internal auditors adopt a recognised framework in conducting their work;
- 7.12 to review the appointment and removal of internal auditors;
- 7.13 to review the independence of the internal audit personnels to ensure they are free from any conflict of interest with the Group in carrying out their work;
- 7.14 to review and approve the internal audit plan;
- 7.15 to ensure that sufficient resources are allocated for the internal audit function and that it is given access to the necessary information to enable it to carry out its function effectively;
- 7.16 to review the internal audit reports, discuss major findings or any area of concern or issue in relation to internal controls and procedures with the internal auditors, as well as management's responses, and ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures are identified; and
- 7.17 to monitor the status of implementation of the action plans arising from the issue reported by the internal auditors to ensure they are satisfactorily completed.

Risk Management

- 7.18 to review the risk profile of the Group (including risk arising from corporate liabilities) and the management's plans and course of actions to mitigate such risks and assess the actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting the Group;
- 7.19 to review, assess, formulate and recommend risk management strategies, framework, policies, processes, tolerance and risk appetite limits to the Board and to recommend such changes as may be deemed necessary to the Board from time to time;

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- 7.20 to monitor the Group's risk exposures to ensure implementation and compliance with approved risk policies and processes of the Group, and to ensure that significant risks identified are being responded to appropriately and addressed adequately;
- 7.21 to review and assess the risks associated with all proposed strategic transactions of the Group and report the same to the Board for its deliberation of the transaction;
- 7.22 to assess the adequacy of the business recovery/disaster recovery procedures;
- 7.23 to monitor the risk control measures for corporate liabilities risks identified;
- 7.24 to review the operational effectiveness and efficiency in protecting the Group from bribery risks and ensure legal and regulatory compliance; and
- 7.25 to direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.

Compliance

- 7.26 to review procedures in place to ensure that the Group is in compliance with the Companies Act 2016, the Listing Requirements and other legislative and reporting requirements;
- 7.27 to obtain updates from the Group's management and its legal counsel regarding regulatory compliance matters;
- 7.28 to review the annual internal and external audit reports on matters relating to compliance;
- 7.29 to review any related party transaction and conflict of interests' 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;
- 7.30 to review the process used to procure the Company's shareholders' mandate for recurrent related party transactions; and
- 7.31 to consider any material breaches or exposure to breaches of regulatory requirements, including the Group's Anti-Bribery and Corruption Policy.

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Whistleblowing

- 7.32 to review and maintain the policies and procedures on whistle-blowing and anti-corruption, and to assess the effectiveness of these policies and procedures at least once every 3 years;
- 7.33 to publish the policies and procedures on whistle-blowing and anti-corruption on the Company's website;
- 7.34 to address allegations raised by whistleblowers, and to ensure independent investigation is conducted and follow-up action is taken in respect of these allegations;
- 7.35 to exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy of the Group; and
- 7.36 to 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.

Other responsibilities

- 7.37 to review and recommend to the Board for any amendments the Committee's terms of reference as circumstances may arise for approval by the Board.
- 7.38 to prepare a draft Audit Committee Report to be set out in the Company's annual report for the Board's consideration and approval which includes the following:
 - (a) the composition of the Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
 - (b) the number of Committee meetings held during the financial year and details of attendance of each Committee member;
 - (c) a summary of the work of the Committee in the discharge of its functions and duties for that financial year and how it has met its responsibilities;
 - (d) a summary of the work undertaken by the internal audit function; and
 - (e) a summary of any conflict of interest or potential conflict of interest situation reviewed by the Committee pursuant to item 7.29 above (excluding a related party transaction), and the measures taken to resolve, eliminate, or mitigate such conflicts.

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- 7.39 to review the quarterly financial results and year-end financial statements of the Company and Group as well as the annual reports of the Company, prior to approval by the Board, focusing particularly on:
- (a) changes in or implementation of major accounting policy changes;
 - (b) significant adjustments arising from the audit;
 - (c) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (d) the going concern assumption; and
 - (e) compliance with applicable accounting standards and other legal requirements;
- 7.40 to carry out any other matters or activities, as may be defined and directed by the Board from time to time.

8. Resolution in Writing

A resolution in writing, signed by majority of the 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 and may be accepted as sufficiently signed by the Committee members if transmitted to the Company by email, facsimile or other electronic means or digital written message/application to include a signature of the Committee members.

9. Revision of the Terms of Reference

The Terms of Reference of the Committee shall be reviewed and revised as necessary from time to time to determine its adequacy and relevance.

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.

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.

(This Terms of Reference for the Audit and Risk Management Committee was approved and adopted by the Board on 6 March 2024)