

**LHN LIMITED**  
**賢能集團有限公司\***

*(Incorporated in the Republic of Singapore with limited liability)*  
*(the “Company”, and together with its subsidiaries, the “Group”)*  
(Hong Kong Stock Code: 1730)  
(Singapore Stock Code: 410)

**TERMS OF REFERENCE FOR AUDIT COMMITTEE**

**1. MEMBERSHIP**

- 1.1 The Audit Committee (“AC” or the “Committee”) shall be appointed by the Board (the “Board”) of Directors (the “Directors”) from amongst its members, and shall comprise at least three (3) members.
- 1.2 All members shall be non-executive Directors of the Company, a majority of whom, including the chairman of the Committee (the “Chairman”), shall be an independent non-executive Director. At least one member shall be an independent non-executive Director with appropriate professional qualifications and have recent and relevant accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Listing Rules”).
- A former partner or director of the Company’s existing auditing firm or auditing corporation shall not act as a member of the AC within a period of two (2) years commencing on the date of the person ceasing (a) to be a partner of the auditing firm or director of the auditing corporation, and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation, whichever is later.
- 1.3 Members shall be appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, shall have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment.
- 1.4 The Chairman shall be elected by the members.
- 1.5 The Board shall consider whether a Director is independent in accordance with the provisions of the HK Listing Rules and the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (the “Listing Manual”), including the Singapore’s Code of Corporate Governance 2018 (the “Singapore Code of Corporate Governance”). In the event of differences between the HK Listing Rules, Listing Manual and the Singapore Code of Corporate Governance, the Board shall comply with the more onerous rule and/or requirement.

If the Board wishes, in spite of the existence of one or more of the relationships as listed in the return (Annex 1) referred to in clause 1.6 below, to consider a Director as independent under the Singapore Code of Corporate Governance, the Company should disclose in full the nature of the Director’s relationship and bear responsibility for explaining why he should be considered

independent. In any event, the independence requirement under Rule 3.13 of the HK Listing Rules shall be complied with.

1.6 On appointment, and thereafter, on an annual basis, every member shall complete a return (Annex 1) as to his independence. The Board shall review the return to decide if a Director is to be considered independent.

1.7 An independent member shall immediately notify the secretary of the Company of any change in circumstances that may result in him not being able to meet the criteria for independence.

The Board may, after considering the change in circumstances, reconstitute the AC in compliance with provisions of the Companies Act, the AC's terms of reference, the HK Listing Rules and the Listing Manual.

1.8 A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least one (1) month's notice.

1.9 The office of a member shall become vacant upon the member's death/resignation/retirement/removal or disqualification as a Director of the Company.

1.10 If for any reason, the total number of members shall fall below three (3), the Board shall, as soon as practicable and reasonable, and in any case, shall endeavor to fill the vacancy within two (2) months, but in any case no later than three (3) months, of such occurrence, appoint such number of new members so that the total number of members is at least three (3).

1.11 New members shall receive an induction covering the AC's terms of reference, and be provided with an overview of the Company's internal control organization and risk management systems.

1.12 The appointment of the members of the AC may be revoked, or additional members may be appointed to the AC by separate resolutions passed by the Board and by the AC, subject to and/or taking into consideration the recommendations from the nominating committee of the Company.

1.13 Except for exceptional circumstances such as when a Director has a medical emergency, a member may not appoint any alternate.

## 2. ADMINISTRATION

### 2.1 Meetings

(a) The meetings of the Committee may be conducted by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means and the minutes of such a meeting signed by the Chairman shall be conclusive of any meeting conducted as aforesaid.

- (b) The AC shall meet: (i) with the external auditors to discuss, including but not limited to, matters relating to audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise; and (ii) with the internal auditors, in each case without the presence of Management, at least annually.
- (c) Meetings shall be held at least four times a year. These meetings should be held:
- (i) prior to the commencement of the annual external audit;
  - (ii) prior to the Board's approval of the quarterly, interim and full year results; and
  - (iii) after the completion of the annual external audit and prior to the Board's approval of the final results.
- (d) The external auditors or the Head of Internal Audit (or equivalent) may request a meeting if they consider that a meeting is necessary.
- (e) Except as otherwise provided in these terms of reference, meetings should be attended by:
- Finance Director/Chief Financial Officer/Finance Manager/Financial Controller (where applicable)
  - Head of Internal Audit (or equivalent)
  - Representative of external auditors
- (f) The Committee shall have full discretion to invite any Director or Management to attend its meetings.
- (g) The secretary of the Committee (the "Secretary") as appointed from time to time shall be the current secretary of the Company.
- (h) The Secretary shall attend all meetings and minute the proceedings thereof.
- (i) The Secretary shall keep the minutes of all meetings of the Committee.
- (j) Draft and final versions of minutes of all meetings shall be confirmed by the Chairman of the meeting and circulated to all the members of the Committee for their comment and records within a reasonable time after the meeting.

If the Chairman so decides, the minutes shall be circulated to other members of the Board. Any Director may, provided that there is no conflict of interest and with the agreement of the Chairman, obtain copies of minutes of Committee meetings.

- (k) The notice of each meeting of the Committee, confirming the venue, date and time and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Committee at least five (5) working days prior to the date of the meeting.

## 2.2 Quorum

The quorum shall be two (2) members, including at least one independent non-executive director.

## 2.3 Voting

A resolution shall be considered passed if there is a majority of votes passed in favour of the resolution during a meeting of the Committee.

In the event of an equality of votes (except where only two members of the AC are present and form the quorum or when only two members of the AC are competent to vote on the question in issue), the Chairman shall have a casting vote.

Any member who has an interest in any matters being reviewed or considered by the Committee shall abstain from voting on the matter.

A resolution in writing signed by all of the members of the AC shall be valid and effectual as if it had been passed at a meeting of the AC duly convened and held. This provision is without prejudice to any requirement under the HK Listing Rules for a Committee meeting to be held.

Any member who has an interest in any matters being reviewed or considered by the Committee shall abstain from voting on that matter.

## 3. DUTIES

The duties of the Committee shall be:

3.1 review the relevance and consistency of the accounting standards, the significant financial reporting issues, recommendations and judgments made by the external auditors so as to monitor and ensure the integrity of the financial statements, annual report and accounts, half-year report, and quarterly reports (if prepared for publication) of the Group and any announcements relating to the Group's financial performance, and review significant financial reporting judgments contained in them. In reviewing these reports before submission to the board, the AC should focus particularly on:

- (a) any changes in accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the HK Listing Rules, the Listing Manual and legal requirements in relation to financial reporting.

Regarding the above, (i) members of the AC should liaise with the Board and senior management and the AC shall meet, at least twice a year, with the Company's auditors and (ii) the AC should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

- 3.2 review, report and discuss with the Board and senior management at least annually the adequacy and effectiveness of the Group's risk management and internal controls systems, including financial, operational, compliance and information technology controls and risk management systems (such review can be carried out internally or with the assistance of any competent third parties), which shall cover the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function, as to ensure that the management has performed its duty to have effective systems.
- 3.3 review the effectiveness and adequacy of the Group's internal audit function at least annually, including the determination whether the internal auditor has direct and unrestricted access to the Chairman of the Board and AC, and is able to meet separately to discuss matters/concerns.
- 3.4 review and ensure the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness.
- 3.5 review and monitor the scope and results of the external audit, the independence and objectivity of the external auditors, and the effectiveness of the audit process in accordance with applicable standards. The AC should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved. Procedures to review and monitor the independence of the external auditors may include:
  - (i) consider all relationships between the Group and the external auditors (including non-audit services);
  - (ii) obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
  - (iii) meeting with the external auditors without the presence of the Management as referred to in paragraph 2.1(b)(i) above.
- 3.6 make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal.

- 3.7 develop and implement policy on engaging an external auditor (which, for the purpose of this paragraph only, includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) to supply non-audit services, and report, identify and make recommendations to the Board on any matters where action or improvement is needed. The AC should ensure the external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the AC may wish to consider:
- (i) whether the skills and experience of the external auditor makes it a suitable supplier of non-audit services;
  - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;
  - (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the external auditor; and
  - (iv) criteria for compensation of the individuals performing the audit.
- 3.8 review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control, and management's response, and ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.
- 3.9 review the system of internal controls, financial controls and risk management with the internal and external auditors.
- 3.10 review the co-operation given by the Management to the external auditors and the internal auditors, where applicable, ensure co-ordination between the internal and external auditors, and act as the key representative body for overseeing the Company's relations with the external auditor.
- 3.11 review the Group's financial and accounting policies and practices, and keep abreast of changes in accounting standards and issues which have a direct impact on financial statements.
- 3.12 review the assurance provided by the chief executive officer and chief financial officer regarding the financial records being properly maintained and the financial statements giving a true and fair view of the Company's operations and finances.

- 3.13 participate in the appointment, replacement or dismissal of the head of internal audit or, if an external party, the internal auditor.
- 3.14 review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual or HK Listing Rules, including such amendments made thereto from time to time.
- 3.15 review and approve interested person transactions and connected transactions, and review procedures thereof.
- 3.16 review potential conflicts of interest (if any) and to set out a framework to resolve or mitigate any potential conflicts of interests.
- 3.17 review the risk management framework with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, where the findings are material, announced immediately via SGXNET and the website of the HK Stock Exchange, as applicable.
- 3.18 investigate any matters within its terms of reference.
- 3.19 review the policy and arrangements, by which the staff of the Group or any third party may, in confidence, raise concerns about possible improprieties including matters of financial reporting, internal control and or other matters, and to ensure that proper arrangements are in place for fair and independent investigations of such matter and for appropriate follow-up action.
- 3.20 where the AC deems necessary or as delegated by the Board, to commission and review the findings of any internal investigations into risk management and internal control matters and matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any applicable law, rule or regulation in relevant jurisdictions, and to consider the management's response to these findings.
- 3.21 make recommendations to the Board on establishing an adequate, effective and independent internal audit function. For the avoidance of doubt, the internal audit function can be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff. Upon completion of the internal control audit, appropriate disclosure will be made via SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by the Board.

- 3.22 report to the Board its findings from time to time on matters arising and requiring the attention of the Committee and matters in the code provisions contained in Appendix 14 to the HK Listing Rules, or to undertake such other reviews and projects as may be requested by the Board.
- 3.23 consider other topics as defined by the Board and undertake such other functions and duties as may be required by the Laws of Hong Kong, the Laws of Singapore, the HK Listing Rules or the Listing Manual, and by such amendments made thereto from time to time.
- 3.24 consider agreeing with the Board on the Company's policies on hiring employees or former employees of the external auditor and monitoring the application of these policies. The AC should then be in a position to consider whether there has been or appears to be any impairment of the external auditor's judgment or independence for the audit.

#### 4. REPORTING PROCEDURE

- 4.1 The Committee shall report to the Board the outcome of its reviews and discussions with the external auditors and its findings on any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the operating results or financial position of the Company.
- 4.2 The Chairman shall report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

#### 5. ATTENDANCE AT GENERAL MEETINGS

- 5.1 The Chairman (or in his absence, an alternative member) of the AC shall attend the General Meetings of the Company and be prepared to answer questions falling within the scope of the AC.
- 5.2 The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.
- 5.3 The Management should ensure the external auditor attends the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

#### 6. AUTHORITIES

- 6.1 The AC is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the AC.
- 6.2 The AC should be provided with sufficient resources to perform its duties.



## 7. REMUNERATION

Having regard to the functions performed by members of the AC in addition to their functions as Directors in relation to the activities of the AC and pursuant to the specific power conferred upon the Board by the Articles of Association of the Company, members of the AC may be paid such special remuneration in respect of their appointment and in such manner as shall be fixed by the Board.

## 8. CONTINUING APPLICATION OF THE CONSTITUTION OF THE COMPANY

The constitution of the Company regulating the meetings and proceedings of the directors so far as the same are applicable and are not replaced by or inconsistent with the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

## 9. POWERS OF THE BOARD

The Board may, subject to compliance with the constitution of the Company, the Listing Manual, the Singapore Code of Corporate Governance, and the HK Listing Rules (including Appendix 14 (the Corporate Governance Code and Corporate Governance Report) to the HK Listing Rules), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

## 10. GENERAL

10.1 The AC in carrying out its tasks under these terms of reference may obtain at the Company's expense such external or other independent professional advice as it considers necessary to carry out its duties.

10.2 The Board will ensure that the AC has the resources and access to independent professional advice at the Company's expense in order for it to perform its duties.

10.3 These terms of reference may from time to time be amended as required, subject to the approval of the Board.

10.4 If there is any inconsistency between the English and Chinese versions of these terms of reference, the English version shall prevail.

*\* For identification purpose only*

**LHN LIMITED**  
(the “Company”)

**CONFIRMATION OF INDEPENDENCE**

I confirm the following for the requirements under the Singapore Code of Corporate Governance:

- (a) That I \*am/am not an executive Director of the Company or any of its related corporations<sup>1</sup> and \*have/have not been employed by the Company or any of its related corporations<sup>1</sup> for the current or any of the past three financial years.
- (b) That I \*have/do not have an immediate family member<sup>2</sup> who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations<sup>1</sup> and whose remuneration is determined by the Company’s Remuneration Committee.
- (c) That I (including my immediate family member<sup>2</sup>) \*have/have not provided to or received from the Company or any of its related corporations<sup>1</sup> for the current or immediate past financial year any significant compensation or material services<sup>3</sup> (aggregated over any financial year in excess of S\$50,000), other than compensation for board service.
- (d) That I (including my immediate family member<sup>2</sup>) \*am/am not in the current or immediate past financial year \*a substantial shareholder<sup>4</sup> of, or a partner in (with 5% or more stake), or an executive officer of, or a director of any organisation which provided to or received from the Company or any of its subsidiaries any significant payments or material services<sup>3</sup> (aggregated over any financial year in excess of S\$200,000) in the current or immediate past financial year.
- (e) That I \*am/am not a substantial shareholder<sup>4</sup> or an immediate family member of a substantial shareholder<sup>4</sup> of the Company.
- (f) I \*am/am not directly associated<sup>5</sup> with a substantial shareholder<sup>4</sup> of the Company in the current or immediate past financial year.
- (g) That I \*do/do not have a relationship (whether familial, business, financial, employment or otherwise) with the Company, its related corporations<sup>1</sup>, its substantial shareholder<sup>4</sup> or its officers that could interfere or be reasonably perceived to interfere, with my exercise of independent business judgment with a view to the best interests of the Company.

If any of the relationships stated above exist, please provide details:

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I further confirm the following for the requirements under the HK Listing Rules:

- (h) That I (including my immediate family member<sup>2</sup>) \*hold/do not hold more than 1% of the number of issued shares of the Company<sup>6</sup>.

- (i) That I (including my immediate family member<sup>2</sup>) \*have/have not received interest in securities of the Company as a gift, or by means of other financial assistance, from a core connected person (as defined in the HK Listing Rules) or the Company itself<sup>7</sup>.
- (j) That I (including my immediate family member<sup>2</sup>) \*am/am not (or \*was/was not) a director, partner or principal of a professional adviser which currently provides or has within two years immediately prior to the date of this confirmation provided services, or is or was an employee of such professional adviser who is or has been involved in providing such services during the same period, to (i) the Company, its holding company or any of their respective subsidiaries or core connected person (as defined in the HK Listing Rule), or (ii) any person who was a controlling shareholder (as defined in the HK Listing Rules) or, where there was no controlling shareholder, any person who was the chief executive or a Director (other than an independent non-executive Director), of the Company within two years immediately prior to the date of this confirmation, or any of their close associates.
- (k) That I (including my immediate family member<sup>2</sup>) currently \*have/do not have ((for proposed director) and \*had/did not have within one year immediately prior to the date of my proposed appointment) a material interest in any principal business activity of or is or was involved in any material business dealings with the Company, its holding company or their respective subsidiaries or with any core connected persons (as defined in the HK Listing Rules) of the Company.
- (l) That I (including my immediate family member<sup>2</sup>) \*am/am not on the board specifically to protect the interests of an entity whose interests are not the same as those of the shareholders as a whole.
- (m) That I (including my immediate family member<sup>2</sup>) \*have been/have not been connected with a director, the chief executive or a substantial shareholder (as defined in the HK Listing Rules) of the Company within two years immediately prior to the date of this confirmation.
- (n) That I (including my immediate family member<sup>2</sup>) \*have/have not at any time during the two years immediately prior to the date of this confirmation been, an executive or Director (other than an independent non-executive Director) of the Company, of its holding company or of any of their respective subsidiaries or of any core connected persons (as defined in the HK Listing Rules) of the Company.
- (o) That I (including my immediate family member<sup>2</sup>) \*am/am not financially dependent on the Company, its holding company or any of their respective subsidiaries or core connected persons (as defined in the HK Listing Rules) of the Company.

If any of the relationships stated above exist, please provide details:

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In view of the foregoing, I am to be considered independent/not independent\* of the Company's Management as contemplated by the Singapore Code of Corporate Governance and as required by Rule 3.13 of the HK Listing Rules.

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Name:

Date:

\* *delete where inapplicable*

- 1 The term "related corporation" in relation to a company, shall have the same meaning as currently defined in the Companies Act, i.e. the company's holding company, subsidiary or fellow subsidiary.
- 2 A person will be considered an "immediate family member" of the Director under:
  - (i) the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist if they are the Director's spouse, child, adopted child, step-child, brother, sister or parent; and/or
  - (ii) the HK Listing Rules if they are the Director's spouse, or the Director's (or the Director's spouse's) child or step-child, natural or adopted, under the age of 18 years.

The Company will comply with the more onerous of the two set of listing rules.

- 3 Material Services may include auditing, banking, consulting and legal services as provided under the Singapore's Code of Corporate Governance 2018.
- 4 A "substantial shareholder" is a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the company, in line with the definition set out in section 2 of the Securities and Futures Act (Chapter 289) of Singapore.
- 5 A director will be considered "directly associated" with a substantial shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a substantial shareholder by reason only of his or her appointment having been proposed by that substantial shareholder.
- 6 The Director shall take into account the total number of shares held legally or beneficially by the Director, together with the total number of shares which may be issued to the Director or the Director's nominee upon the exercise of any outstanding share options, convertible securities and other rights (whether contractual or otherwise) to call for the issue of shares.
- 7 Subject to (d) and (h) above, the Director will still be considered independent if the Director receives shares or interests in securities from the Company or its subsidiaries (but not from core connected persons) as part of the Director's fee or pursuant to share option schemes established in accordance with Chapter 17 of the HK Listing Rules and where such receipt of shares or interests in securities are in compliance with the requirements of the Listing Manual.