

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

FOR PREPARING THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Audit & Risk Management Committee (“ARMC”) of Country Heights Holdings Berhad was established with the objective of assisting the Board of Directors in the areas of corporate governance, system of internal controls, risk management and financial reporting of the Group. Members of the ARMC are mindful of their dual roles which are clearly reflected in the agendas of each meeting.

COMPOSITION AND MEETINGS

The current composition, including the attendance of its members at the five (5) meetings held during the financial year ended 31 December 2023, are as follows:

Name of Director	Designation	Attendance
Tan Meng Khong Independent Non-Executive Director (Appointed on 3 February 2023) (Redesignated as Chairman on 3 April 2023)	Chairman	7/7
Ong Tee Chin Independent Non-Executive Director (Redesignated as Member on 21 February 2023)	Member	6/7
Chuah Peng San Independent Non-Executive Director (Appointed on 3 April 2023)	Member	6/6
Dato' Mircle Yap Ching Chai Managing Director (“MD”) (Appointed on 3 February 2023) (Redesignated as Chairman on 21 February 2023) (Resigned on 3 April 2023 on his appointment as MD)	Chairman	1/1

The Executive Director of Finance and the representatives of Talent League Sdn. Bhd., the Company's outsourced Internal Auditor, including other Board members and employees attend the ARMC meetings upon invitation to brief the ARMC on specific issues. Representatives of the External Auditors attend the scheduled ARMC meetings to table their annual audit plan and consider the final audited financial statements, as well as such other meetings as determined by the ARMC.

Prior to some of the ARMC meetings, private sessions were held between the ARMC and the External Auditors without the Management's presence.

Minutes of meetings of the ARMC were circulated to all members and significant matters reserved for the Board's approvals were tabled at the Board meetings. The Chairman of the ARMC provides a report on the decisions and recommendations of the ARMC to the Board. For the financial year under review, the performance and effectiveness of the ARMC were evaluated through the ARMC members' self and peer evaluation, the outcome of which was reviewed by the Nomination and Remuneration Committee. Having considered the recommendation made by the Nomination and Remuneration Committee based on the outcome of the evaluation, the Board was satisfied that the ARMC members were able to, and had discharged their functions, duties and responsibilities in accordance with the terms of reference of the ARMC.

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AUTHORITY, DUTIES AND RESPONSIBILITIES OF THE ARMC

The ARMC is governed by the following Terms of Reference ("TOR"):

Composition

The ARMC shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members, the majority of whom shall be Independent Directors. All members of the ARMC shall be Non-Executive Directors. All members of the ARMC shall be financially literate and at least one (1) member of the ARMC:

- (i) must be a member of the Malaysian Institute of Accountants ("MIA"); or
- (ii) if he is not a member of the MIA, he must have at least three (3) years of working experience and;
 - (a) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (b) 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) fulfills such other requirements as prescribed or approved by Bursa Securities.

No Alternate Director shall be appointed as a member of the ARMC. The members of the ARMC shall elect a Chairman from among themselves, who shall be an Independent Non-Executive Director. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Appointments to the ARMC shall be for a period of up to three (3) years, which may be extended for up to another three (3) years, provided that the Director still meets the criteria for membership of the ARMC.

In the event of any vacancy in the ARMC resulting in the non-compliance with Paragraph 15.09(1) of the MMLR, the Company must fill the vacancy within three (3) months.

Quorum

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

Attendance & Frequency of Meetings

The ARMC shall meet as the Chairman deems necessary but not less than four (4) times a year. The Chairman shall be entitled, where deemed appropriate, to invite any person(s) to meetings of the ARMC.

The ARMC shall meet with the External Auditors, Internal Auditors or both, without Executive Board members and employees present at least twice a year.

Authority

The ARMC is authorised by the Board to:

- (i) seek any information relevant to its activities from employees of the Company;
- (ii) source for the necessary resources required to carry out its duties;
- (iii) obtain independent professional advice it considers necessary;
- (iv) have full and unlimited access to any information and documents pertaining to the Company;
- (v) investigate any matters within its TOR, with explicit authority.

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Functions

- (i) Financial Statements, External Audit and Other Information The duties of the ARMC shall be to:
- (a) make appropriate recommendations to the Board on matters pertaining to the nomination, appointment and dismissal of External Auditors and the fee thereof;
 - (b) review and discuss with the External Auditors and Internal Auditors before the commencement of audit, the nature and scope of the audit;
 - (c) review the quarterly and year-end financial statements of the Group and Company prior to submission to the Board, focusing particularly on:
 - public announcement of results and dividend payments;
 - any significant changes in accounting policies and practices;
 - significant adjustments and unusual events resulting from the audit;
 - the going concern assumption; and
 - compliant with stock exchange, accounting standards and legal requirements.
 - (d) discuss problems and reservations arising from the interim and final audits, and any other matters the External Auditors may wish to discuss (in the absence of the Management where necessary);
 - (e) review External Auditors' letter to the Management (if any) and the Management's response;
 - (f) review the adequacy of the scope, functions, competency and resources of the Internal Audit function and that it has the necessary authority to carry out its work;
 - (g) review the Internal Audit Planning Memorandum and results of the Internal Audit process and where necessary, ensure that appropriate action is taken on the recommendations of the Internal Audit function;
 - (h) review any appraisal or assessment of the performance of the Head of Internal Audit function;
 - (i) approve any appointment or dismissal of the Head of Internal Audit;
 - (j) inform itself of resignation of the Head of Internal Audit and provide him/her an opportunity to submit reason(s) for resigning;
 - (k) consider any related party transactions and conflict of interest situation that may arise within the Company or Group that may raise questions over the Management's integrity; and
 - (l) consider the findings of Internal Audit investigations and the Management's response.
- (ii) Risk Management, Internal Control and Information Systems

The ARMC will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes the following:

- (a) advise the Board on the Group's overall risk appetite, tolerance and strategy, taking into account the current and prospective macro-economic and financial environment drawing on financial stability assessments and other authoritative sources that may be relevant for the Group's risk policies;
- (b) champion and promote the Enterprise Risk Management to ensure that the risk management process and culture are embedded throughout the Group;
- (c) provide routine monthly and quarterly reporting and update the Board on key risk management issues and potential loss events;
- (d) review the Risk Management Framework, Policy and Guide annually;

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- (e) oversee and advise the Board on the current risk exposures of the Group and future risk strategy to ensure development and growth of the Group on a sustainable basis;
- (f) in relation to risk assessment:
 - keep under review the Group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
 - review regularly and approve the parameters used in these measures and the methodology adopted;
 - set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance; and
 - consider whether the Group has effective management systems in place to identify, assess, monitor and manage its key risk areas.
- (g) review the Group's capability to identify and manage new risk types;
- (h) review reports on any material breaches of risk limits and the adequacy of proposed action;
- (i) follow-up on management action plans based on the status of implementation compiled by the Management;
- (j) review the Business Risk Analysis & Evaluation and Mitigation Plans to be escalated to the Board on an annual basis and to report any major breach of risk policies and tolerance limits and ensure risk mitigants are in place;
- (k) give a view on proposal/feasibility studies prepared by project sponsor or project consultants which meet the requisite threshold before recommending to the Board for final decision;
- (l) keep under review the effectiveness of the Group's internal financial controls and internal controls and risk management systems and review and approve the statements to be included in the annual report concerning internal controls and risk management;
- (m) review the Group's procedures for preventing fraud; and
- (n) consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

The ARMC shall also ensure the function has adequate independence and is free from the Management or other restrictions.

Minutes

The Secretary shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the ARMC. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall also be distributed to the members of the ARMC prior to each meeting.

SUMMARY OF ACTIVITIES OF THE ARMC

During the financial year under review, the ARMC carried out its functions and duties as set out in its TOR, including but not limited to:

1. Financial Reporting

- (a) Reviewed all the four (4) quarters' unaudited financial results of the Group, focusing on significant matters, which included the going concern assumption, and ensured the disclosures complied with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and Listing Requirements; and
- (b) Reviewed the annual audited financial statements of the Company and the Group together with the External Auditors and discussed significant audit issues and findings with the External Auditors.
- (c) Reviewed the impact of changes in accounting policies and adoption of new accounting standards, together with significant matters highlighted in the financial statements.

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2. External Audit

- (a) Reviewed the External Auditors' Audit Plan for the Group, which outlined the responsibilities and the scope of work, anticipated key audit matters, and reporting timelines for the financial year ended 31 December 2023 and the External Auditors' fees;
- (b) Discussed and reviewed with the External Auditors, the results of their examination and their reports in relation to the audit and accounting issues, including weaknesses noted in internal controls pertaining to financial reporting, arising from the audit;
- (c) Discussed and reviewed the areas for improvements in the internal control system of certain subsidiaries as highlighted by the External Auditors and steps needed to be taken to address the issues;
- (d) Reviewed and approved the nature of, and fees for, non-audit services before they were provided by the External Auditors and/or their affiliates;
- (e) Assessed the suitability, objectivity and independence of the External Auditors for re-appointment; and
- (f) Met and discussed with the External Auditors without the presence of the Management staff.

3. Internal Audit

The ARMC is aware that an independent and adequately resourced Internal Audit function is essential to assist it in obtaining the assurance it requires with regard to the effectiveness of the system of internal controls.

The Internal Audit function of the Company was outsourced to Talent League Sdn. Bhd. where Talent League Sdn. Bhd. reports independently to the ARMC and its role encompasses the examination and evaluation of the adequacy and effectiveness of the Group's system of internal controls to provide reasonable assurance to the members of the ARMC. Talent League Sdn. Bhd.'s staff were free from any relationships or conflicts of interest with any employees of the Company.

The internal audit activities carried out, under a risk-based approach, for the financial year under review included inter- alia, the following:

- (a) Reviewed and approved the Annual Internal Audit Plan ("Plan") to ensure adequacy of scope, resources, competencies and coverage of auditable entities in the Group with significant and high risks, including the periodic status of completion of the Plan;
- (b) Issued reports on the internal audit findings identifying weaknesses and highlighting recommendations for improvements on a periodic basis;
- (c) Followed-up on the implementation of corrective action plans or best practices agreed with the Management;
- (d) Attended ARMC meetings to table and discuss the audit reports and followed up on issues raised; and

The total cost incurred for the Internal Audit function of the Group for the financial year ended 31 December 2023 was RM60,000.

4. Related Party Transactions

Reviewed related party transactions to determine if they were undertaken at "arm's length", on normal commercial terms and on terms which were not more favourable to the related parties than those generally available to the public and complied with the Listing Requirements of Bursa Securities.

Reviewed the Circular to Shareholders in relation to Shareholders' Mandate on recurrent related party transactions ("RRPTs"), the review procedures of RRPTs, the RRPT estimates and methods for determination of RRPT transaction price and threshold of authority, Audit & Risk Management Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report to ensure compliance with the relevant regulatory reporting requirements prior to recommending the same to the Board for approval.

This Report is dated 29 April 2024.