

SHIN YANG GROUP BERHAD

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

1.0 OBJECTIVES

- i. To support the Board in ensuring the reliability and transparency of financial reporting system.
- ii. To assist the Board in its oversight of the adequacy and effectiveness of the internal control system and oversee the compliance with the relevant rules and regulations.
- iii. To assess and supervise the quality of audits conducted by the Internal and External Auditors.

2.0 MEMBERSHIP

2.1 COMPOSITION

- i. The Audit and Risk Management Committee shall be appointed by the Board from among the non-executive Directors and shall comprise at least three (3) members of whom a majority shall be independent directors.
- ii. No alternate director is to be appointed as a member of the Audit and Risk Management Committee.
- iii. The Board shall elect a Chairman from among the members, who shall be an independent director.
- iv. No former key audit partner shall be appointed as a member of the Audit and Risk Management Committee, unless he/she has observed a cooling-off period of at least three (3) years before for such appointment.
- v. The term of office and performance of the Audit and Risk Management Committee and each members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether such Audit and Risk management Committee and members have carried out their duties in accordance with their term of reference.
- vi. If for any reason the number of members at any point in time is reduced to below three (3), the Board shall fill the vacancies within three (3) months.

2.2 QUALIFICATION

At least one member of the Audit and Risk Management 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:
 - (a) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part 11 of the 1st Schedule of the Accountants Act 1967.
- iii. Fulfils such other requirements as prescribed or approved by the Exchange.

3.0 AUTHORITY

- i. The Committee is authorised to seek any information it requires from employees, who are required to co-operate with any request made by the Committee.
- ii. The Committee shall have full and unlimited access to any information pertaining to the Group as well as direct communication to the internal and external auditors and with some senior management of the Group.
- iii. The Committee shall have the resources that are required to perform its duties. The Committee can obtain at the expenses of the Group, outside legal or other independent professional advice it considers necessary.
- iv. The Committee shall be able to convene meetings with external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

4.0 DUTIES

The Audit and Risk Management Committee shall: -

- i. Provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to the corporate accounting practices for the Company and Group.
- ii. Maintain a direct line of communication between the Board and the external and internal auditors.
- iii. Review and monitor to ensure that an adequate system of risk management for the management to safeguard the Group's assets and operations.
- iv. Prepare reports, if the circumstances arise or at least once a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.
- v. Act upon the Board's request to direct and where appropriate supervise any special projects or investigation considered necessary and review investigation reports on any major issues with regard to the management of the Group.

4.1 INTERNAL AUDIT

The Audit and Risk Management Committee shall also review the scope of internal audit procedures, in particular: -

- i. Review and approve the yearly internal audit plan.
- ii. Review the adequacy of the internal audit scope, functions, and resources of the internal audit and that it has the necessary authority to carry out its works.
- iii. Review the results of the internal audit and ensure that appropriate action is taken by the management on the recommendations of the internal audits.
- iv. Review the performance of the internal audit to ensure that they are able to exercise independence in discharging their duties.

4.2 EXTERNAL AUDIT

The Audit and Risk Management Committee is responsible to recommend to the Board the appointment, removal and remuneration of the External Auditors.

The Audit and Risk Management Committee shall: -

- i. Review with the external auditors and approve the yearly external audit planning memorandum which includes the audit engagement and reporting responsibilities, audit approaches, audit key matters, audit deliverable timelines and proposed audit fee;
- ii. Review the objectivity of the external auditors and their services, including non-audit services and professional fees, so as to ensure a proper balance between objectivity and value for money;
- iii. Review the external audit reports and to evaluate their findings and recommendations for actions to be taken;
- iv. Review any letter of resignation from the external auditors and report the same to the Board;
- v. Review whether there is any reason that the external auditor is not suitable for reappointment and make the relevant recommendations to the Board;
- vi. Ensure the proper policies and procedures are established and to assess the suitability and independence of external auditors, including obtaining written assurance from external auditors confirming they are and have been independent throughout the conduct of audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirements;
- vii. To review with the external auditors for the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report;
- viii. To consider the appointment, re-appointment of the external auditor. Criteria should include an assessment of competence, audit quality and resource capacity of the external auditor in relation to the audit;
- ix. To consider appropriate audit fees to support a quality audit; and
- x. To conduct annual evaluation on the performance of the external auditor and undertaking follow-up measures, where required.

4.3 INTERNAL CONTROL

- i. To consider annually the internal control system and risk management framework adopted within the Group and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to minimise losses and maximize opportunities;
- ii. To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;
- iii. To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures;
- iv. To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group; and
- v. To recommend to the Board steps to improve the system of internal control derived from the findings of the internal and external auditors and from the consultations of the Audit Committee itself.

4.4 FINANCIAL PROCEDURE AND FINANCIAL REPORTING

Review the quarterly results and the year-end financial statements, prior to the approval of the Board, focusing particularly on: -

- i. Any significant changes to accounting policies and practices;
- ii. Significant adjustments arising from the audits;
- xi. Compliance with accounting standards and other legal requirements; and
- xii. going concern assumption

4.5 RELATED PARTY TRANSACTIONS

Monitor any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises question on integrity of Directors and management.

4.6 AUDIT REPORT

- i. Prepare the annual Audit and Risk Management Committee report to the Board which includes the composition of the Audit and Risk Management Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of an Internal Audit unit and summary of the activities of that unit for inclusion in the Annual Report; and
- ii. Review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report.

5.0 MEETINGS

The Audit and Risk Management Committee shall hold at least four (4) regular meetings per year to effectively fulfil its duties.

- i. The Chairman of the Audit and Risk Management Committee shall call for a meeting of the Audit and Risk Management Committee if requested to do so by any committee member, Management, Internal and External Auditors.
- ii. Upon request of the external auditor, the chairman of the audit committee must convene a meeting of the committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.
- iii. The Chairman may invite external professional advisers, consultants or legal advisers to be in attendance to assist it in its deliberations.
- iv. A quorum shall consist of at least two-thirds of the members with independent directors forming the majority.
- v. Notice and agenda of a meeting of the Audit and Risk Management Committee shall be given.
- vi. A meeting may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.
- vii. A resolution in writing signed or approved by a majority of all of the members of the Audit and Risk Management Committee shall be as effective for all purposes as a resolution of the members of the Audit and Risk Management Committee passed at a meeting duly convened, held and constituted.
- viii. The Audit and Risk Management Committee shall report to the Board of Directors on its recommendations and decisions. The minutes of the Audit and Risk Management Committee are to be tabled and noted by the Board of Directors
- ix. The minutes book shall be kept by the Company at the registered office and shall be open for inspection by any member of the Audit and Risk Management Committee and the Board of Directors.

Last updated on 06.12.2023