

The logo for SINKUNG, with 'SINK' in green and 'KUNG' in blue, set against a background of a futuristic, brightly lit interior with a grid of light panels on the ceiling and a glowing blue circular interface on the floor.

SINKUNG

World Without Boundaries

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

www.sinkung.my

Sin-Kung Logistics Berhad
Company Registration No. 199401035432 (321115-P)
Incorporated in Malaysia

Name of policy: Sin-Kung Group of Companies - Terms of Reference of Audit and Risk Management
Committee (“ARMC”)
Version: 1

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The Audit and Risk Management Committee of Sin-Kung Logistics Berhad (the “**Company**”) (“**ARMC**”) is governed by the Terms of Reference as stipulated below.

1.0 OBJECTIVES

The ARMC shall assist the board of directors of the Company (“**Board**”):-

- (a) in complying with specified accounting standards and required disclosure as administered by Bursa Malaysia Securities Berhad (“**Bursa Securities**”), relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- (b) in presenting a balanced and understandable assessment of the Company’s position and prospects;
- (c) in establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company’s external and internal auditors; and
- (d) in maintaining a sound system of internal controls and risk management to safeguard shareholders’ investment and the Company’s assets.

2.0 POWERS

In carrying out its duties and responsibilities, the ARMC shall have the following rights: -

- (a) regulate its procedure, in particular: -
 - the calling of meetings;
 - the notice to be given of such meetings;
 - the voting and proceedings of such meetings;
 - the keeping of minutes; and
 - the custody, production and inspection of such minutes.
- (b) the explicit authority to investigate any matter within its Terms of Reference;
- (c) access to the resources which are required to perform its duties;
- (d) full, free and unrestricted access to any information, records, properties and personnel of the Company and/or its subsidiaries (“**Group**”);
- (e) direct communication channels with the external and internal auditors;
- (f) ability to obtain independent professional or other advice at the Company’s costs, and to invite external parties with relevant experience to attend the ARMC meetings, if required, and to brief the ARMC thereof;

- (g) ability to convene meetings with external and internal auditors whenever deemed necessary, excluding the attendance of other directors and employees of the Company;
- (h) promptly report to Bursa Securities where a matter reported by the ARMC to the Board has not been satisfactorily resolved resulting in a breach of the ACE Market Listing Requirements; and
- (i) the attendance of any particular ARMC meeting by other directors and employees of the Company shall be at the ARMC’s invitation and discretion, and specific to that relevant meeting only.

3.0 COMPOSITION

The ARMC shall be appointed by the directors of the Company (“**Directors**”) from among their number (pursuant to a resolution of the Board) which fulfils the following requirements: -

- (a) The ARMC must comprise at least three (3) members, consisting wholly non-executive Directors and a majority of whom are independent.
- (b) All members of the ARMC must be financially literate and at least one (1) member of the ARMC: -
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he/she is not a member of the Malaysian Institute of Accountants, he/ she must have at least three (3) years’ working experience and: -
 - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Securities and/or other relevant authorities from time to time.
- (c) The Chairperson of the ARMC (“**Chairperson**”) must be independent and is not the Chairperson of the Board.
- (d) No alternate Director shall be appointed as a member of the ARMC.
- (e) A former key audit partner is required to observe a cooling-off period of at least three (3) years.
- (f) In the event of any vacancy in the ARMC (including Chairperson) resulting in non-compliance of the minimum of three (3) members, the Board shall upon the recommendation of the Nomination and Remuneration Committee, appoint

such number of Directors to fill up such vacancy within three (3) months of the event.

- (g) All members of the ARMC, including the Chairperson, will hold office only so long as they serve as Directors of the Company. The Board must via Nomination and Remuneration Committee review the term of office and performance of the ARMC, and each of its members annually to determine whether the ARMC has carried out its duties in accordance with its Terms of Reference.

4.0 SECRETARY OF THE ARMC (“SECRETARY”)

The secretary of the Company (“**Company Secretary**”) or his/her representative or other appropriate senior officer of the Company shall be the Secretary.

5.0 DUTIES AND RESPONSIBILITIES

External Audit

- (a) Nominate and recommend the external auditors for appointment/re-appointment, to consider the adequacy of experience, resources, audit fee and any issue regarding resignation or dismissal of the external auditors. In considering the appointment/re-appointment of the external auditors, to consider among others: -
 - (i) the adequacy of the experience and resources of the accounting firm;
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm’s audit engagements;
 - (iv) the size and complexity of the Group being audited; and
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit.

The ARMC is to also consider the performance of the external auditors and their independence as below: -

- (i) the external auditors’ ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (ii) the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee;
- (iii) the competence, audit quality and resource capacity of the external auditor in relation to the audit;

*Sin-Kung Group of Companies - Terms of Reference of
Audit and Risk Management Committee (“ARMC”)*

- (iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services relative to the audit fee; and
 - (v) obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- (b) Review with the external auditors, the nature, scope and plan of the audit including any changes to the scope of the audit plan before the audit commences and report the same to the Board;
 - (c) Ensure co-ordination if more than one (1) audit firm is involved in the audit;
 - (d) Review with the external auditors, their audit report and report the same to the Board;
 - (e) Review with the external auditors, their evaluation of the system of internal controls and risk management and report the same to the Board;
 - (f) Review the assistance given by the employees of the Group to the external auditors and report the same to the Board;
 - (g) Review any letter of resignation from the external auditors and report the same to the Board;
 - (h) Review whether there is reason, supported by grounds, to believe that the external auditors are not suitable for reappointment and report the same to the Board;
 - (i) Discuss problems and reservations, if any, arising from the interim and final audits, and any matter which the external and internal auditors wish to discuss in the absence of the Management, where necessary;
 - (j) Discuss and review the external auditors’ management letter and management response, if any;
 - (k) Discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group as well as procedures that must be followed by the external auditors for the provision of non-audit services. The contracts cannot be entered into should include: -
 - (i) Management consulting;
 - (ii) Strategic decision;
 - (iv) Internal audit; and
 - (v) Policy and standard operating procedures documentation.

- (l) In the event that the non-audit fees paid to the external auditors, or a firm or corporation affiliated to the external auditors’ firm are significant (eg. constitute 50% of the total amount of audit fees paid to the Company’s external auditors) the Company is required to state the details on the nature of non-audit services rendered in the ARMC report of the Company (“**ARMC Report**”).

Internal Audit

- (a) To ensure the internal audit function is independent of the activities it audits and the head of internal audit reports directly to the ARMC. The head of internal audit should have the relevant qualifications and be responsible for providing assurance to the ARMC that the internal controls are operating effectively. The internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.
- (b) Review and report the same to the Board on the adequacy of the scope, competency, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (c) Review and report the same to the Board on the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken, and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (d) Ensure that appropriate action is taken on the recommendations of the internal auditors, where necessary;
- (e) Review the assistance and co-operation given by the employees of the Group to the internal auditors;
- (f) Review any appraisal or assessment of the performance of the internal auditors;
- (g) Approve any appointment or termination of the internal auditors; and
- (h) Review any letter of resignation of internal auditors and request the resigning firm to submit its reasons for resigning.
- (i) To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.

Risk Management

- (a) Review the adequacy of the Group’s risk management framework and assess the resources and knowledge of the Management and employee involved in the risk management process;

*Sin-Kung Group of Companies - Terms of Reference of
Audit and Risk Management Committee (“ARMC”)*

- (b) Review the effectiveness of internal control systems deployed by the Management to address those risks;
- (c) Review and recommend corrective measures undertaken to remedy any failures and/or weaknesses;
- (d) Review and further monitor principal risks that may affect the Group directly or indirectly that if deemed necessary, recommend additional course of action to mitigate such risks;
- (e) Communication and monitoring of risk assessment results to the Board; and
- (f) Actual and potential impact of any failures or weakness, particularly those related to financial performance or conditions affecting the Group.

Others

- (a) Prior to the approval of the Board, review the quarterly and year-end financial statements and report the same to the Board, focusing particularly on: -
 - (i) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed;
 - (ii) any major changes in or implementation of accounting policies and practices;
 - (iii) the going concern assumption; and
 - (iv) compliance with accounting standards and other legal requirements.
- (b) Review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity and the framework established/to be established;
- (c) Discuss and review the major findings of any internal investigations and the Management’s response;
- (d) Review and report the same to the Board the statement with regard to the state of internal controls and risk management of the Group for inclusion in the annual report of the Company (“**Annual Report**”);
- (e) Oversee the Group’s internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Group’s assets from misappropriation and encourage legal and regulatory compliance;

*Sin-Kung Group of Companies - Terms of Reference of
Audit and Risk Management Committee (“ARMC”)*

- (f) Perform any other work that it is required or empowered to do by statutory legislation or guidelines as prepared by the relevant government authorities; and
- (g) Consider other topics as defined by the Board.

6.0 MEETINGS

- (a) The minimum number of ARMC meetings to be held in a financial year is four (4) meetings. Additional meetings may be called at any time, at the discretion of the Chairperson.
- (b) The ARMC may participate in a meeting by means of telephone conference, video conference or other communications equipment of which all persons participating in the meeting can communicate with each other. Such participation in a meeting shall constitute presence in person at such meeting.
- (c) The Group Managing Director and other appropriate officer(s) may be invited to attend where their presence are considered appropriate as determined by the Chairperson.
- (d) The internal auditors have the right to appear and be heard at any meeting of the ARMC and are recommended to attend each ARMC meeting.
- (e) Upon the request of the external and/or internal auditors, the Chairperson shall also convene a meeting of the ARMC to consider any matter the external and/or internal auditors believe should be brought to the attention of the Board or the shareholders.
- (f) Other Board members, employees of the Company and representatives of the external auditors may attend meetings upon the invitation of the ARMC.
- (g) The ARMC shall meet at least twice a year with the external and internal auditors without the presence of executive Board members and the Management.
- (h) The ARMC shall meet regularly, with due notice of issues to be discussed and shall record its conclusions accordingly.
- (i) The Company Secretary or his/her representative or other appropriate senior officer shall be in attendance at each ARMC meeting and record the proceedings of the meeting thereat.
- (j) The quorum for an ARMC meeting shall be two (2) members of the ARMC, who are both Independent Directors. In the event that the meeting is attended by more than two (2) members of the ARMC, the majority members present must be independent directors in order to form a quorum in respect of the ARMC meeting.

- (k) Subject to paragraph (a) above, in appropriate circumstances, the ARMC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the ARMC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

7.0 CHAIRPERSON OF THE COMMITTEE

The duties and responsibilities of the Chairperson are to: -

- (a) Steer the ARMC to achieve the goals it sets;
- (b) Consult the Company Secretary for guidance on matters related to the ARMC's responsibilities under the applicable rules and regulations, to which they are subject;
- (c) Organise and present the agenda for ARMC meetings based on input from members of the ARMC for discussion on matters raised;
- (d) Provide leadership to the ARMC and ensure proper flow of information to the ARMC by reviewing the adequacy and timing of documentation;
- (e) Ensure that all members are encouraged to play their role in its activities;
- (f) Ensure that consensus is reached on every ARMC resolution and where considered necessary, call for a vote;
- (g) Manage the processes and working of the ARMC and ensure that the ARMC discharges its responsibilities without interference from the Management; and
- (h) Engage on a regular basis with senior management such as the Chairperson, the Group Managing Director, the Chief Financial Officer, the internal and external auditors in order to be kept informed of matters affecting the Company.
- (i) The Chairperson of the Committee should attend the Annual General Meeting to answer any shareholder questions on the ARMC's activities.

8.0 ARMC MEMBERS

Each ARMC member shall be expected to: -

- (a) Provide individual external independent opinions to the fact-finding, analysis and decision-making process of the ARMC;
- (b) Consider viewpoints from the other ARMC members in making decisions and recommendation for the best interest of the Board collectively;

- (c) Keep abreast of the latest corporate governance guidelines in relation to the ARMC and the Board as a whole; and
- (d) Continuously seek out best practices in terms of processes utilised by the ARMC, following which these should be discussed with the rest of the ARMC members for possible adoption.

9.0 DISCLOSURE

The ARMC is required to prepare an ARMC Report at the end of each financial year to be included and published in the Annual Report. The ARMC Report shall include the following: -

- (a) Composition of the ARMC, including the name, designation (indicating the Chairperson) and directorship of the members (indicating whether the Directors are independent or otherwise);
- (b) Number of ARMC meetings held during the financial year and details of attendance of each ARMC member;
- (c) Summary of the activities carried out by the ARMC in the discharge of its responsibilities, functions and duties for that financial year of the Company; and
- (d) Summary of the activities carried out by the internal auditors.

The ARMC shall assist the Board in making the following additional statements in the Annual Report: -

- (a) Statement explaining the Board's responsibility for preparing the annual audited financial statements of the Group; and
- (b) Statement about the state of internal control and risk management of the Group.

10.0 REVISION OF THE TERMS OF REFERENCE

- (a) Any revision or amendment to this Terms of Reference, as proposed by the ARMC or any third party, shall first be presented to the Board for its approval.
- (b) 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.

11.0 WRITTEN TERMS OF REFERENCE

The ARMC must have its written Terms of Reference which deal with its authority and duties and such information must be made available on the Company's website.

12.0 PERIODIC REVIEW

The Terms of Reference shall be reviewed annually by the Committee.

END.