

# **SHIN YANG SHIPPING CORPORATION BERHAD**

## **TERMS OF REFERENCE OF AUDIT 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 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 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 AC, unless he/she has observed a cooling-off period of at least two (2) years before for such appointment.
- v. The term of office and performance of the Audit Committee and each members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether such Audit 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 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 1<sup>st</sup>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 1<sup>st</sup> 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 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.

#### **4.1 Internal Audit**

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

The Audit Committee shall:-

- i. Review with the external auditors and approve the yearly external audit plan.
- 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.

#### **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;
- iv. Compliance with accounting standards and other legal requirements; and
- v. 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 Committee report to the Board which includes the composition of the Audit 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 Committee shall hold at least four (4) regular meetings per year to effectively fulfill its duties.

- i. The Chairman of the Audit Committee shall call for a meeting of the Audit Committee if requested to do so by any committee member, Management, Internal and External Auditors.
- ii. The Chairman may invite external professional advisers, consultants or legal advisers to be in attendance to assist it in its deliberations.
- iii. A quorum shall consist of at least two-thirds of the members with independent directors forming the majority.
- iv. Notice and agenda of a meeting of the Audit Committee shall be given.
- v. 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.
- vi. A resolution in writing signed or approved by a majority of all of the members of the Audit Committee shall be as effective for all purposes as a resolution of the members of the Audit Committee passed at a meeting duly convened, held and constituted.
- vii. The Audit Committee shall report to the Board of Directors on its recommendations and decisions. The minutes of the Audit Committee are to be tabled and noted by the Board of Directors
- viii. 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 Committee and the Board of Directors.