



**SINARAN ADVANCE GROUP BERHAD**  
[Registration No. 202001007513 (1363833-T)]  
(Incorporated in Malaysia)

**AUDIT COMMITTEE: TERMS OF REFERENCE**

**1.0 PURPOSE**

The purpose of the establishment of the Audit Committee ("**AC**" or "**Committee**") is to assist the Board of Directors in discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The AC also provides a channel communication between the Board of Directors, Management, External Auditors and Internal Auditors.

**2.0 COMPOSITION AND SIZE**

The AC should be appointed by the Board of Directors based on the recommendation of the Nomination Committee from amongst the Directors of the Company which fulfils the following requirements:

- (i) the AC must be composed of no fewer than three (3) members;
- (ii) all Committee Members must be Non-Executive Directors, with a majority of them being Independent Directors;
- (iii) all Committee Members should be financially literate; and
- (iv) at least one member of the AC must fulfil the financial expertise requisite of the Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**Main LR**") as follows:-
  - (a) he must be a member of the Malaysian Institute of Accountants ("**MIA**"); or
  - (b) if he is not a member of the MIA, he must have at least three (3) years' working experience and;
    - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (bb) 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
  - (c) fulfils such other requirements as prescribed or approved by the Bursa Securities.

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In the absence of a Nomination Committee, the Board appoints the AC Members from amongst its number.

The Board of Directors must ensure that no Alternate Director is appointed as a Committee Member. In addition, at least 1 independent director in the AC shall have his principal or only place of residence in Malaysia.

In the event of any vacancy in the Committee resulting in the non-compliance of the Main LR pertaining to composition of AC, the Board of Directors must fill the vacancy of the Chairman and/or a Member of the AC within three (3) months of occurrence of that event.

No former partner of the Company's external audit firm shall be appointed as a member of the AC unless the said former partner has observed a cooling-off period of at least three (3) years before being appointed as a member of the AC. The former partner herein refers to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.).

The Nomination Committee shall review the term of office and performance of the AC and each of its Members annually to determine whether such Committee and Members have carried out their duties in accordance with their Terms of Reference.

### **3.0 CHAIRMAN**

The Board of Directors or members of the AC must elect a Chairman among Committee members who is an Independent Non-Executive Director. The Chairman of the AC is not the Chairman of the Board of Directors.

In the absence of the Chairman of the AC in a Meeting, the members present shall elect one of their numbers to be chairman of the Meeting.

The Chairman of the AC should assume, amongst others, the following responsibilities:

- (i) Planning and conducting meetings;
- (ii) Overseeing reporting to the Board of Directors;
- (iii) Encouraging open discussion during Meetings;
- (iv) Developing and maintaining an active on-going dialogue with Senior Management and both the Internal and External Auditors; and
- (v) Ensuring the overall effectiveness and independence of the AC.

### **4.0 SECRETARY**

The Company Secretary shall be the Secretary of the AC or in his absence, the Chairman of the Committee or chairman of the Meeting shall choose another person as the secretary of the Meeting.

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**5.0 MEETINGS**

- (i) The AC should meet at least four (4) times in each financial year, i.e. on a quarterly basis, to properly carry out its duties and ensure effective discharge of its responsibilities as spelt out in its Terms of Reference. More frequent meetings may be called as the need arises.
- (ii) Sufficient time must be allocated to thoroughly address all items in the Agenda and for all parties involved to ask questions or provide input.
- (iii) The quorum shall consist of a majority of the Independent Non-Executive Directors.
- (iv) The AC may call for a meeting as and when required with reasonable notice as the Committee Members deem fit. The Committee Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting. Minutes of such a meeting signed by the Chairman of the Committee shall be conclusive evidence of any resolution of any meeting conducted in the manner as aforesaid.
- (v) The Finance Director, the Internal Auditors and External Auditors should normally attend the Meetings. Other Board Members may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting(s).
- (vi) The AC should meet with the External Auditors without the presence of the executive Board Members and employees at least twice a year and whenever deemed necessary.
- (vii) Upon the request of the Internal Auditors and/or External Auditors, the Chairman of the AC must convene a Meeting to consider any matter the Internal Auditors and/or External Auditors believe should be brought to the attention of the Board of Directors or the Shareholders.
- (viii) The Minutes of such Meeting shall be made available to all members of the Board upon request.
- (ix) The Board of Directors should be kept aware of the Committee's activities by way of the Committee Minutes being circulated together with the board meeting papers.
- (x) A resolution in writing signed or approved by email, letter, telegram, telex, telefax or digital messaging services by all the Committee Members and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a Meeting of the Audit Committee duly called and constituted. All such resolutions shall be described as "Audit Committee Members' Resolutions in Writing" and shall be forwarded or otherwise delivered to the Secretaries without delay, and shall be recorded by him in the Company's Minutes Book. Any such resolution may consist of several

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documents in like form, each signed by one (1) or more Audit Committee Members.

**6.0 RIGHTS**

- (i) The AC should have explicit authority to investigate any matter within its Terms of Reference, the resources to do so and full access to information.
- (ii) Each Committee Member has full and unlimited/unrestricted access to all information and documents/resources of the Company or Group which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group;
- (iii) The AC may use the services of outside expertise or advisors and invite outsiders with relevant experience to attend Meeting, if necessary, at the cost of the Company in accordance with a procedure to be determined by the Board of Directors towards performance of its duties.
- (iv) The AC must have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any, which can be outsourced).
- (v) The Committee must be able to convene Meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary.

**7.0 RESPONSIBILITIES AND HOW THE COMMITTEE WORKS**

- (i) The Terms of Reference of AC should be reviewed by the Committee annually and updated as appropriate. The Committee should recommend any change to the Terms of Reference to the Board of Directors for approval. The annual review of its Terms of Reference should be a robust process, reflecting changes to the Company's circumstances and any new regulations that may impact upon the AC's responsibilities.
- (ii) The AC is responsible for:
  - (a) assessing the risks and control environment;
  - (b) overseeing financial reporting;
  - (c) evaluating the internal and external audit process;
  - (d) reviewing and reporting to the Board of Directors, any conflict of interest situations and related party transactions that arose, persist or may arise within the Group including any transaction, procedure or course of conduct that raises questions of Management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;
  - (e) reviewing the quarterly results and year end financial statements, before submission to the Board of Directors for approval, focusing particularly on:

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- (i) changes in or implementation of major accounting policies and practices;
  - (ii) major risk areas;
  - (iii) significant and unusual events;
  - (iv) significant adjustments resulting from the audit;
  - (v) significant matters highlighted in the financial statements;
  - (vi) significant judgements made by Management; and
  - (vii) compliance with accounting standards, Main LR and other legal requirements.
- (f) reviewing the following with the External Auditors and report the same to the Board of Directors:
- (i) the audit plan;
  - (ii) the audit report;
  - (iii) evaluation of the system of internal controls;
  - (iv) Letter to Management and the Management's response;
  - (v) the assistance given by the employees to the External Auditors; and
  - (vi) any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's and the Group's operating results or financial position, and Management's response.
- (g) To review the annual evaluation on the performance of the External Auditors, including the suitability, objectivity and independence of the External Auditors which takes into consideration the following:-
- the competence, audit quality and resource capacity of the external auditors in relation to the audit;
  - the nature and extent of the non-audit services tendered and the appropriateness of the level of fees (if any); and
  - written assurance from the external auditors confirming that they are, and have been, independent through the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- (h) reviewing the following with the Internal Auditors and report the same to the Board of Directors:

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- (i) the adequacy of the scope, competency and resources of the internal audit functions and that it has the necessary authority and independence to carry out its work effectively; and
  - (ii) the internal audit plan and the results of the internal audit assessments or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (i) undertaking such other reviews and projects as may be requested by the Board of Directors, and report to the Board of Directors its findings from time to time on matters arising and requiring the attention of the AC.
- (j) establishing procedures for receipt, retention and treatment of complaints received by the Company and the Group regarding inter alia, criminal offences involving the Company and the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Company and the Group.
- (k) monitoring, reviewing and assessing the utilisation of proceeds are consistent with the intention presented to investors for any fund raising exercise.
- (l) considering and recommending the appointment or re-appointment of the Internal and External Auditors (including recommending the nomination of person or persons as auditors) and audit fee (including review of the appropriateness of external audit fees to support quality audit) and non-audit fees to the Board (if applicable), after assessing suitability, objectivity, resources, competency and independence of the external auditors as well as matters relating to the resignation or dismissal of the auditors.
- (m) To set the criteria used to guide decisions on appointment and re-appointment of the external auditor such as :-
- the adequacy of the experience and resources of the accounting firm;
  - the persons assigned to the audit;
  - the accounting firm's audit engagements;
  - the size and complexity of the listed corporation's group being audited;
  - the number and experience of supervisory and professional staff assigned to the particular audit; and
  - whether there is reason (supported by grounds) to believe that the existing external auditor is not suitable for re-appointment.
- (n) reviewing any resignation letter from the External Auditors.
- (o) undertaking such other functions and duties as may be required by statute or the Main LR, or by such amendments as may be made thereto from time to time.

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- (iii) Where the AC is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Main LR, the Committee must promptly report such matter to Bursa Securities.

*The Terms of Reference was reviewed and adopted by the Board of Directors on 26 November 2024.*