

AUDIT COMMITTEE REPORT

Membership and Meetings

The Board Audit Committee (“BAC”) members and the record of their attendance at the Audit Committee meetings held during the FY2022-23 are as follows:

Member	Number of Meetings Attended in FY2022-23	% of Meetings Attended
Ahmad Ruhaizad bin Hashim Chairman (Independent Non-Executive Director)	5/5	100%
Fina Norhizah binti Haji Baharu Zaman (Independent Non-Executive Director)	5/5	100%
Mr Yap Shuh Jian (Independent Non-Executive Director) Appointed w.e.f.: 28 February 2023	1/1	100%

Composition and Attendance

Encik Ahmad Ruhaizad bin Hashim is a member of the Malaysian Institute of Accountants (“MIA”) thereby complying with the Companies Act 2016 and the Bursa Listing Requirements that require at least one (1) member of the Audit Committee must be a qualified Accountant within the composition of BAC members.

A total of five (5) BAC meetings were conducted for FY2022-23. The Notice to the BAC meetings was circulated as per the required notice period by the Company Secretary who is the Secretary to the BAC meeting.

Upon invitation by the BAC, the Non-Independent Executive Directors, Head of Finance, Head of Internal Audit and representatives of the External Auditors have attended the BAC meetings.

Time was also set aside for the External Auditors to have private discussions with the BAC in the absence of Non-Independent Executive Directors and the Management. Two (2) separate session was held between the BAC and the External Auditors.

Minutes of all five (5) BAC meetings in FY2022-23 were prepared by the Secretary of the BAC and were distributed to each BAC member where the BAC Chairman reviewed the Minutes and confirmed it in each BAC meeting in FY2022-23.

TERMS OF REFERENCE (“ToR”) OF BAC AS PER BURSA LISTING REQUIREMENT (Reference: Chapter 15 Corporate Governance)

Article 15.09: Composition of the Audit Committee:

- 1) **A listed issuer must appoint an Audit Committee from amongst its directors which fulfills the following requirements:**
 - a) the Audit Committee must be composed of not fewer than three (3) members. However, one of the members, Dato’ Haji Ab Wahab bin Haji Ibrahim has resigned effective on 30 May 2022. AMRB has obtained extension of time until 28 February 2023. Currently, there are two (2) members and AMRB has applied for another three (3) months extensions from Bursa to replace with a suitable candidate. On 28 February 2023, AMRB had appointed Mr. Yap Shuh Jian as Independent Non-Executive Director and the BAC member.
 - b) all the Audit Committee members must be non-executive directors, with a majority of them being independent directors; and

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1) A listed issuer must appoint an Audit Committee from amongst its directors which fulfills the following requirements: (cont'd)

- c) 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 of 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
 - iii. fulfills such other requirements as prescribed or approved by the Exchange.

2) A listed issuer must ensure that no alternate director is appointed as a member of the Audit Committee. [Cross reference: Practice Note 13]

Article 15.10 Chairman of the Audit Committee

The members of an Audit Committee must elect a chairman among themselves who is an independent director.

Article 15.11 Written Terms of Reference

An Audit Committee must have written terms of reference which deal with its authority and duties, and such information must be made available on the listed issuer's website.

Article 15.12 Functions of the Audit Committee

Without limiting the generality of paragraph 15.11 above, a listed issuer must ensure an Audit Committee, amongst others, discharges the following functions:

- 1) review the following and report the same to the board of directors of the listed issuer:
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report;
 - (d) the assistance was given by the employees of the listed issuer to the external auditor;
 - (e) the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (f) the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;
 - (g) the quarterly results and year-end financial statements, before the approval by the board of directors, focusing particularly on -
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - (iii) compliance with accounting standards and other legal requirements;
 - (h) any related party transaction and conflict of interests situation that may arise within the listed issuer or group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) any letter of resignation from the external auditors of the listed issuer; and
 - (j) whether there is a reason (supported by grounds) to believe that the listed issuer's external auditor is not suitable for re-appointment; and

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- 2) recommend the nomination of a person or persons as external auditors.

Article 15.13 Attendance of other directors and employees

A listed issuer must ensure that other directors and employees attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

Article 15.14 Procedure of Audit Committee

An Audit Committee may regulate its own procedure, in particular -

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the voting and proceedings of such meetings;
- (d) the keeping of minutes; and
- (e) the custody, production and inspection of such minutes.

Article 15.15 Audit Committee report

- (1) A listed issuer must ensure that its board of directors prepares an Audit Committee report at the end of each financial year that complies with subparagraphs (2) and (3) below.
- (2) The Audit Committee report must be clearly set out in the annual report of the listed issuer.
- (3) The Audit Committee report must include the following:
 - (a) the composition of the Audit Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
 - (b) [deleted]
 - (c) the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member;
 - (d) a summary of the work of the Audit Committee in the discharge of its functions and duties for that financial year of the listed issuer and how it has met its responsibilities;
 - (e) a summary of the work of the internal audit function.

Article 15.16 Reporting of breaches to the Exchange

Where an Audit Committee is of the view that a matter reported by it to the board of directors of a listed issuer has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee must promptly report such matter to the Exchange.

Article 15.17 Rights of the Audit Committee

A listed issuer must ensure that wherever necessary and reasonable for the performance of its duties, an Audit Committee must, in accordance with a procedure to be determined by the board of directors and at the cost of the listed issuer -

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the listed issuer;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the listed issuer, whenever deemed necessary.

Article 15.18 Quorum of an Audit Committee

In order to form a quorum in respect of a meeting of an Audit Committee, the majority of members present must be independent directors.

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- 2) recommend the nomination of a person or persons as external auditors (cont'd).

Article 15.19 Retirement and resignation

In the event of any vacancy in an Audit Committee resulting in the non-compliance of paragraphs 15.09(1) and 15.10 above, a listed issuer must fill the vacancy within three (3) months. AMRB received another extension of three (3) months upon expiry from Bursa to appoint one member before 30 November 2022.

Article 15.20 Review of the Audit Committee

The nominating committee of a listed issuer must review the term of office and performance of an Audit Committee and each of its members annually to determine whether such Audit Committee and its members have carried out their duties by their terms of reference.

Duties and Responsibilities of the Board Audit Committee ("BAC") of Alam Maritim Group of Companies

The duties and responsibilities of the BAC are:

(a) Financial Reporting

- ▶ To review the quarterly, and annual financial statements of the Group, focusing particularly on:
 - any significant changes to accounting policies and practices;
 - significant adjustments arising from the audits;
 - compliance with accounting standards and regulatory requirements; and
 - the going concern assumption.

(b) Related Party Transactions

- ▶ To review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of the Management integrity.

(c) Audit Reports

- ▶ To prepare the annual BAC report to the Board which includes the composition of the BAC, its terms of reference, the number of meetings held, a summary of its activities and the existence of an Internal Audit Department and a summary of the activities that unit for inclusion in the Annual Report; and
- ▶ To review the Board's statements on compliance with the MCCG 2021 for inclusion in the Annual Report.

(d) Risk Management and Internal Control

- ▶ To consider annually the Risk Management Framework adopted within the Group and to be satisfied that the methodology employed allows the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to minimize losses and maximize opportunities;
- ▶ To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;

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- ▶ To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures including for example, the Group Policies & Financial Limits of Authorities ("FLOA");
- ▶ To obtain assurance that proper plans for control have been developed before the commencement of major areas of change within the Group; and
- ▶ 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 BAC itself.

(e) Internal Audit

- ▶ To be satisfied that the strategies, plans, manning and organization for internal auditing are communicated down through the Group specifically:
 - To review Internal Audit plans and to be satisfied with their consistency with the Risk Management Framework used, adequacy of coverage and audit methodologies employed;
- ▶ To be satisfied that the Internal Audit department within the Group has the proper resources and standing to enable them to complete their mandates and approved audit plans;
 - To review status reports from Internal Audit and ensure that appropriate actions have been taken to implement the audit recommendations.
 - To recommend any broader reviews deemed necessary as a consequence of the issues or concerns identified;
 - To review any appraisal or assessment of the performance of the key resources in the Internal Audit, approve any appointment or termination of senior staff members of Internal Audit and inform BAC of any resignations of staff of Internal Audit and reasons thereof;
 - To ensure Internal Audit has full, unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
 - To request and review any special audit that it deems necessary.

(f) External Audit

- ▶ To review the External Auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and coordination of the External Auditors.
- ▶ To assess the External Auditors' independence and their performance as a basis for re-appointment and change of External Auditors annually, based on the Management input and advice;
- ▶ To review with the External Auditors the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report;
- ▶ To review any matters concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the External Auditors;

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- ▶--- To review and evaluate factors related to the independence of the External Auditors and assist them in preserving their independence;
- ▶--- To be advised of the significant use of the External Auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their position as auditors is not deemed to be compromised; and
- ▶--- To review the External Auditors' findings arising from audits, particularly any comments and responses in Management Letters ("ML") as well as the assistance given by the employees of the Group to be satisfied that appropriate action is being taken.

(g) Other Matters

- ▶--- To act on any other matters as may be directed by the Board.

Summary of Activities During the Financial Year Ended 30 June 2023

During the FY2022-23, the BAC has carried out its duties by its TOR as specified by Bursa and the Duties and Responsibilities as endorsed by the Board. Thus, the main issues reviewed by the BAC were summarized as follows:

- ▶--- Reviewed the quarterly financial results and Annual Reports of the Group before submission to the Board of Directors for consideration and approval;
- ▶--- Reviewed the related party transactions entered into by the Group and the disclosure of such transactions in the Annual Report of the Group;
- ▶--- Private sessions between Independent Non-Executive Directors with the External Auditors without any executives present;
- ▶--- Reviewed the performance of the external auditors and made recommendations to the Board for the renewal of the external auditors and their remuneration;
- ▶--- Reviewed the BAC Report, Statement on Risk Management and Internal Control and Corporate Governance Statement before their inclusion in the Group's Annual Report.
- ▶--- Reviewed the Annual Internal Audit Plan and Budget to be carried out for the Group prepared by the Internal Auditors and the External Auditors respectively;
- ▶--- Reviewed the audit results, and followed up on the recommendations' deadlines for and Group's internal controls improvement and the performance of the internal audits in FY2022-23.

Statement on Internal Audit Function

Internal Audit Risk Management ("IARM") is an integral part of the assurance structure of the Group. The department's primary responsibility is to provide independent and reasonable assurance of the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance process.

The Head of the Internal Audit Department reports directly to the Chairman of the BAC. For office administrative purposes, he reports to the Group Managing Director/ Group CEO. The purpose, authority and responsibility of Internal Audit as well as the nature of assurance and consulting activities provided to the Group is clearly articulated in the Internal Audit Charter that has been approved by the BAC.

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The Head of the Internal Audit Department has direct access to the Chairman of the BAC on all matters of control and audit. Any inappropriate restrictions on audit scope are to be reported to the BAC.

Throughout FY2022-23, there were two (2) audit resources in the IARM Department who undertook key risk audit areas within the Group of which the internal audit areas planned have been successfully completed and reported. The current internal audit resource is continuously trained and monitored to ensure that the planned risk-based internal audits and risk management functions are well executed.

The BAC approves the Group Internal Audit's annual audit plan, budget and human resource requirements to ensure the function is adequately resourced by qualified and experienced internal auditors to carry out their tasks to meet BAC's expectations.

During the FY2022-23, a total of approximately RM119,246.14 was incurred as part of resource allocation for the IARM, covering mainly manpower and incidental costs such as traveling and training costs.

IARM has adopted a risk-based approach towards the planning and conduct of audits as per the approved Annual Audit Plan which is consistent with the Group's established framework in designing, implementing and monitoring its internal control systems.

The internal audits are carried out to follow the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the Internal Auditing Guidelines issued by the Malaysian Institute of Accountants (collectively referred to as "the Internal Audit Standards & Guidelines").

The main activities performed by IARM in FY2022-23 are as follows:

- ▶ Reviewing and appraising the soundness, adequacy and application of accounting, financial and other controls and promoting effective control in the Group at a reasonable cost as per the approved Annual Audit Plan;
- ▶ Ascertaining the extent of compliance with established policies, procedures and statutory requirements;
- ▶ Ascertaining the extent to which the Group's assets are accounted for and safeguarded from losses of all kinds;
- ▶ Appraising the reliability and usefulness of information developed within the Group;
- ▶ Recommending improvements to the existing systems of controls;
- ▶ Carrying out investigations and special reviews requested by the Management and/ or the BAC; and
- ▶ Identifying opportunities to improve the operations and processes in the Group.

All findings resulting from the audits were reported to the BAC, the Senior Management and the relevant Management of the operating units. The Management of the operating units is accountable to ensure proper handling of the audit issues and implementation of their action plans within the timeframe specified. Actions taken by the operating units audited were followed up by IARM and the status was updated in the subsequent audits.

This report is made in accordance with a resolution of the Board dated 18 October 2023.