

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

MEMBERS

The Audit and Risk Management Committee (“ARMC”) composition for the financial year ended 30 June 2020 is as follows:

Designation	Name of Directors	Directorship	No. of Meetings Attended
Chairman	Bin Lay Thiam	Independent Non-Executive Director	5/5
Member	Datuk Pau Chiong Ung	Independent Non-Executive Director	5/5
Member	Khoi Hoay Ling	Independent Non-Executive Director	5/5

The ARMC has three (3) members, all of whom are independent non-executive directors. Two (2) of them, Bin Lay Thiam and Khoi Hoay Ling are members of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants respectively.

The ARMC met five (5) times during the financial year. Details of attendance by each member of the ARMC are as per above table.

The Group Managing Director and Financial Controller were invited to attend all the meetings to provide clarification on the Group’s operational and financial performance.

The representative from Internal Audit and Risk Management attended all the meetings to provide clarification on the internal audit reports and annual audit plan tabled by the professional service firm as well as to table the risk management progress report.

The external auditors responsible for Harbour-Link and its subsidiaries’ (“**the Group**”) financial audit were present at three (3) out of five (5) meetings held during the financial year.

Minutes of each meeting were circulated to the Board at the next most practicable meeting.

TERMS OF REFERENCE

The Terms of Reference for the ARMC can be viewed at Harbour-Link’s website at www.harbour.com.my.

SUMMARY OF ACTIVITIES OF THE AUDIT & RISK MANAGEMENT COMMITTEE

The activities undertaken by the ARMC were in accordance with the Terms of Reference that included the following:

Financial Reporting and Compliance

- Reviewed the unaudited quarterly financial results and audited financial statements for the year ended 30 June 2020 to ensure the Group’s compliance with the Main Market Listing Requirements of Bursa Malaysia, applicable approved accounting standards issued by Malaysian Accounting Standards Board and other legal and regulatory requirements, before recommending to the Board for consideration and approval.
- Reviewed and assessed the appropriateness of the Group’s accounting policies, adequacy of financial reporting and disclosure requirements and reasonableness of judgments and projections made in connection with the preparation of the financial statements.

External Audit

- Considered the re-appointment of the external auditors and audit fees by evaluating the external auditor's suitability, independence, performance and the scope of work conducted.
- Reviewed the external auditors' 2020 Audit Plan which outlined its engagement team, audit approach, audit timeline and areas of audit emphasis for financial year prior to the commencement of audit.
- Discussed with the external auditors updates in relation to new or proposed changes in the accounting standards and regulatory requirements and considered the implications to the financial statement's presentation and disclosure arising from the adoption of these changes.
- Reviewed and discussed with the external auditors, the auditing issues and where applicable, the impact of material adjustments and recommendations arising from the final audit.

Internal Audit and Risk Management

- Reviewed the competency of internal audit function including the processes, audit plan and resource requirements as well as the internal audit reports presented on the findings, recommendations and management's responses thereto are adequately addressed by management.
- Considered and approved the appointment of the outsourced professional service firm and their fees by evaluating their competency, independence and performance.
- Reviewed and assessed the adequacy and effectiveness of the risk management framework.
- Reviewed and recommended to the Board for approval the ARMC Report and Statement on Risk Management and Internal Control for inclusion in the 2020 Annual Report.

Related Party Transaction

- Reviewed the related party transactions and any conflict of interest that may have arisen within the Group.
- Reviewed the Recurrent Related Party Transactions circular and recommended to the Board to seek shareholders' approval for renewal of Shareholders' Mandate.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The internal audit function is independent of the activities or operations of the Group. Its principle role is to provide reasonable assurance that the Group's risk management and internal control system is sound and operating effectively. For the financial year under review, the internal audit assignments were performed by an outsourced professional service firm.

- Presented and obtained approval for the Internal Audit Plan which sets out the internal audit work expected to be carried out for the financial year.
- Carried out internal audit reviews in accordance with the approved Internal Audit Plan.
- Presented the Internal Audit Reports with highlights on audit findings, recommendations to improve and management's responses.
- Performed follow-up on prior internal audits and updating the ARMC on the status of management's actions.

The total costs incurred for the internal audit and risk management function of the Group for the financial year was approximately RM185,800.