

NI HSIN RESOURCES BERHAD

(Company No. 653353-W)

AUDIT AND RISK MANGEMENT COMMITTEE

TERMS OF REFERENCE

1. Composition

The Audit and Risk Management Committee shall be appointed by the Directors from among their number which fulfils the following requirements:-

- a) the Audit and Risk Management Committee must be composed of no fewer than 3 members;
- b) all Audit and Risk Management Committee members must be Non-Executive Directors, with a majority of whom must be Independent Directors. In this respect, the Board adopts the definition of “independent directors” under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”);
- c) all the members shall be financially literate and are able to understand matters under the purview of the Audit and Risk Management Committee including the financial reporting process. All members of the Audit and Risk Management Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules;
- d) at least one member of the Audit and Risk Management 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:-
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - iii) fulfils such other requirements as prescribed by the Bursa Securities.

In the event of any vacancy in the Audit and Risk Management Committee (including Chairman) resulting in the non-compliance of item 2 (a) to (d) above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within 3 months of that event.

No Alternate Director shall be appointed as a member of the Audit and Risk Management Committee. For engagement of a former key audit partner as member, there is a cooling-off period of at least 4 years before being appointed as member of Audit and Risk Management Committee.

The term of office and performance of the Audit and Risk Management Committee and each of its members shall be reviewed by the Board (via Nomination Committee) annually to determine whether the Audit and Risk Management Committee and members have carried out their duties in accordance with the terms of reference.

2. Chairman

The Chairman of the Board shall not be the Chairman of the Audit and Risk Management Committee. The Chairman of the Audit and Risk Management Committee shall be an Independent Non-Executive Director appointed by the Board elected among the member of the Audit and Risk Management Committee.

In the absence of the Chairman, the Audit and Risk Management Committee members present shall elect a Chairman for the meeting from amongst the members present.

3. Secretary

The Company Secretary or his/her representative or other appropriate Senior Officer shall act as Secretary of the Audit and Risk Management Committee. The Company Secretary or his/her representative or other appropriate Senior Officer shall be responsible for drawing up the agenda in consultation with the Chairman. The agenda together with the relevant explanatory papers and documents shall be circulated to the Audit and Risk Management Committee members at least five (5) business days prior to each meeting.

The Secretary or his/her representative or other appropriate Senior Officer shall be responsible for recording attendance of all members and invitees, keeping the minutes of the meeting of the Audit and Risk Management Committee at the Registered Office of the Company, circulating to Audit and Risk Management Committee members and to other members of the Board of Directors.

4. Quorum

The quorum for a meeting shall be minimum two (2) of Independent Directors present at the meeting.

5. Frequency of Meetings

The Audit and Risk Management Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties and at least twice a year the Audit and Risk Management Committee shall meet with the external and internal auditors without executive Board members and Management present.

In addition, the Chairman may call a meeting of the Audit and Risk Management Committee if a request is made by any Audit and Risk Management Committee member, the Company's Chief Executive, or the internal or external auditors.

6. Functions

The functions of the Audit and Risk Management Committee are as follows:-

Oversight of Financial Reporting

- a) Review the quarterly results and year-end financial statements of the Company prior to Board's approval, focusing particularly on:-
 - changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements.
- b) Ensure the competency of the accounting staff and adequacy of the resources and infrastructure of the finance function.

Review Conflict of Interest Situations and Related Party Transactions

- c) Review and report to the Board on any related party transaction (including recurrent 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.

- d) Ensure the transactions carried out are amongst others, in the best interest of the Company as well as not detrimental to the minority shareholders.
- e) Ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.
- f) Evaluate, supervise and monitor any conflict of interest or potential conflict of interest situation that may arise.

Assessment of Internal Control and Risk Management

- g) Review the adequacy and integrity, including effectiveness, of risk management and internal control systems, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems and assess the resources and knowledge of the management and employee involved in the risk management process.
- h) Review the risk profile of the Group (including risk registers) and the Risk Management team's plans to mitigate business risks as identified from time to time.
- i) Review the effectiveness of internal control systems deployed by the management to address those risks.
- j) Review and recommend the corrective measures undertaken to remedy failings and/or weakness.
- k) 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.
- l) Provide assurance to the Board on the effectiveness of the system of internal control and risk management system of the Group.
- m) Ensure that:-
 - a risk management structure is embedded throughout the Group; and
 - risk management structure is consistently adopted throughout the Group

Evaluation on Internal Audit

- n) In respect of the internal audit function, to undertake the following:-
- review the adequacy of the scope, competency, functions, resources and budget of the internal audit function, and that it has the necessary authority to carry out its work including direct and unrestricted access to information, records, physical properties and personnel;
 - review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
 - review the effectiveness of the Group's internal audit function and make recommendations necessary for the improvement of the internal audit function;
 - review any appraisal or assessment of the performance of the internal audit function;
 - approve any appointments or removal of the internal auditor;
 - approve the remuneration of the internal auditor;
 - ensure the internal audit function is independent of the activities it audits and the head of internal audit reports functionally to the Audit and Risk Management Committee directly and review their performance on an annual basis. The head of internal audit should have relevant qualifications and be responsible for providing assurance to the Audit and Risk Management Committee that the internal controls are operating effectively. The head of 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; and
 - take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning.

Evaluation of External Auditor

- o) Review the following and report the same to the Board of Directors:-
- i) with the external auditors before the audit commences, the nature, scope and plan of the audit and ensure co-ordination where more than one audit firm is involved;
 - ii) with the external auditors, his evaluation of the system of internal controls;
 - iii) with the external auditor, his audit report;
 - iv) the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group
 - v) the assistance given by the Company's employees to the external auditors; and
 - vi) Statement of Internal Control and Risk Management for inclusion in the Annual Report.
- p) Recommend to the Board the appointment or re-appointment of the external auditors, the audit fee and any questions of resignation or dismissal of the external auditors and if applicable, to review and report to the Board any letter of resignation from the external auditors.

In considering the appointment or 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;
- (v) the number and experience of supervisory and professional staff assigned to the particular audit; and
- (vi) the performance of the external auditors and its independence inter-alia:-
 - 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;

- the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and
 - 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 or tenure of the external auditors.
- q) Ensure the competence, audit quality and resource capacity of the external auditors in relation to the audit.
- r) Discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed. The contracts cannot be entered into should include:-
- i) strategic decision;
 - ii) tax services;
 - iii) internal audit; and
 - iv) policy and standard operating procedures documentation.
- In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (e.g. 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 Audit and Risk Management Committee's Report.
- s) Discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of the Executive Directors and management where necessary).
- t) Review the external auditor's management letter and management's response.
- u) Consider the major findings of internal investigations and management's response.
- v) Ensure proper policies and procedures are established and to assess the suitability, objectivity and independence of the external auditors including obtaining written assurance from external auditors confirming they are and have been independent throughout the conduct of audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Audit and Risk Management Committee Report

- w) The Audit and Risk Management Committee must ensure that the Audit and Risk Management Committee Report at the end of each financial year that complies the following:-
- (i) The Audit and Risk Management Committee Report must be clearly set out in the annual report of Company;
- (ii) The Audit and Risk Management Committee Report must include the following:
- the composition of the Audit and Risk Management Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
 - the number of Audit and Risk Management Committee meetings held during the financial year and details of attendance of each audit committee member;
 - a summary of the work of the Audit and Risk Management Committee in the discharge of its functions and duties for that financial year of the listed issuer and how it has met its responsibilities;
 - a summary of the work of the internal audit function.
- x) Consider other areas as defined by the Board.

7. Rights of the Audit and Risk Management Committee Committee

The Audit and Risk Management Committee shall, wherever necessary and reasonable for the Company to perform of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- 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 Company;
- d) have direct communication channels with employees of the Company, the external auditors and person(s) carrying out the internal audit function or activity (if any);

- e) be able to obtain independent professional or other advice as and when it considers necessary at the expense of the Company; 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 Company, whenever deemed necessary.

8. Meetings

The Audit and Risk Management Committee may invite other Directors or employees to attend any particular Audit Committee meeting.

The Audit and Risk Management 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.

A resolution in writing, signed by all the members of the Audit and Risk Management Committee, shall be as effectual as if it has been passed at a meeting of the Audit and Risk Management Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Audit and Risk Management Committee members. Any such document, may be accepted as sufficiently signed by an Audit and Risk Management Committee member if transmitted to the Company by facsimile or other electrical or digital written message purporting to include a signature of an Audit and Risk Management Committee member.

9. General Meeting

The Audit and Risk Management Committee Chairman should attend the general meeting to provide clarification to shareholders on the Audit and Risk Management Committee's activities, particularly on matters pertaining to quarterly results and year-end financial statements.

10. Reporting Responsibilities

The Chairman of the Audit and Risk Management Committee shall report to the Board on its proceedings after each meeting on all matters with its duties and responsibilities.

The Audit and Risk Management Committee shall make whatever recommendation to the Board it deems appropriate or any area within its remit where action or improvement is needed.

Ni Hsin Resources Berhad
(Company No. 653353-W)
- Terms of Reference of Audit and Risk Management Committee

11. Periodic Review

This Terms of Reference shall be reviewed annually by the Audit and Risk Management Committee and these Terms must be disclosed on the Company's website.

Date: 22 February 2018