

HENG HUAT RESOURCES GROUP BERHAD
(Company No. 969678-D)
(Incorporated in Malaysia)

AUDIT COMMITTEE'S TERMS OF REFERENCE

1 Appointment/Composition:

- 1.1 The members of the Committee shall be appointed by the Board.
- 1.2 The Committee shall consist of not less than three (3) members, all of whom shall be non-executive directors and financially literate. The majority of the members of the Committee shall be Independent Directors.
- 1.3 At least one (1) member of the 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 three (3) years' working experience and
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 1.4 No Alternate Director shall be appointed as a member of the Committee.
- 1.5 The Chairman of the Committee shall be appointed by the members of the Committee among their number who is an Independent Director.
- 1.6 The Nomination Committee must review the term of office and performance of the Committee and each of its members annually to determine whether such Committee and its members have carried out their duties in accordance with the terms of reference.
- 1.7 The Board shall, within three (3) months of a vacancy occurring in the Committee and resulting in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.8 The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee.

2. Meetings:

- 2.1 Meetings shall be held not less than four (4) times in a year, with due notices of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities. In addition, the Chairman of the Committee may call a meeting of the Committee if a request is made by any Committee members, the Company's Executive Chairman/CEO or the internal or external Auditors if they consider it necessary.
- 2.2 Meetings will be attended by the members of the Committee and the Company Secretary or the representative of the Secretary shall act as the secretary of the Committee.
- 2.3 Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Division Heads, representatives from the Finance and Internal Audit Departments and external Auditors. The finance Director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Directors and employees may only attend a Committee meeting at the Committee's invitation and specific to the relevant meeting.
- 2.4 The quorum of the Committee meeting shall be two (2) members and composed of a majority of Independent Directors.
- 2.5 The Chairman of the Committee should engage on a continuous basis with the senior management, such as the executive or non -executive chairman, the chief executive officer, the finance Director, the head of the internal audit and the external auditors in order to be kept informed of matters affecting the Company.
- 2.6 The Committee should meet with the external auditors without the presence of executive board members at least twice a year.

3. Authority:

- 3.1 The Committee is authorised by the Board to carry out the duties mentioned below and the Board and Management shall give all assistance that is necessary to enable the Committee to discharge its duties.
- 3.2 The Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:
 - a) have explicit authority to investigate any matter within its terms of reference;
 - b) have the resources which are required to perform its duties;

- c) have, at the expense of the Company, full/unrestricted access to all information and documents/resources pertaining to the Company which are required to perform its duties;
- d) have direct communication channels with the external Auditors, person(s) carrying out the internal audit function or activity (if any) and senior management of the Company;
- e) be able to obtain external and independent professional or other advice, and to invite outsiders with relevant experience to attend meetings, if necessary; and
- f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

3.3 Procedure of the Committee

The 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.

4. Functions and Responsibilities:

The functions and responsibilities of the Committee shall include the following:

4.1 Internal Audit

- a) The Board shall establish an internal audit function and identify a head of internal audit who reports directly to the Committee. 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. The internal audit function should be independent of the activities they audit and should be performed with impartiality, proficiency and due professional care. The Committee shall determine the remit of the internal audit function.
- b) To review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work and to report the same to the Board.
- c) To review the internal audit programme and processes, the results of the internal audit programme, processes or investigation undertaken and when necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function and to report the same to the Board.
- d) To review any appraisal or assessment of the performance of members of the internal audit function.
- e) To approve any appointment or termination of senior staff members of the internal audit function, if the internal audit function is performed in-house.

- f) To take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning, if the internal audit function is performed in-house.

4.2 External Audit

- a) To review with the external Auditors the audit plan, the external Auditors' evaluation of the system of internal controls and the external Auditors' audit report, and report the same to the Board.
- b) To discuss with the external Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved.
- c) To review the recommendations of the external Auditors and to discuss problems and reservations arising from the interim and final audits, and any matter the Auditors may wish to discuss (in the absence of management where necessary).
- d) To review the external Auditors' management letter and management's response.
- e) To review and report the same to the Board, the assistance given by employees of the Group to the external Auditors.
- f) To review the results and scope of the external audit and other services provided by the external Auditors.
- g) To review and report the same to the Board, any letter of resignation from or dismissal of the external Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's external Auditors are not suitable for re-appointment.
- h) To assess the suitability and independence of the external Auditors.
- i) To make recommendations concerning the nomination and appointment of the external Auditors and their remuneration to the Board.

4.3 Audit Reports

The reports of the Committee and the external and internal Auditors and corrective action taken shall be tabled for discussion by the Board of Directors.

4.4 Financial Reporting

To review and report the same to the Board quarterly reports and annual financial statements prior to the approval of the Board, focusing particularly on:

- a) changes in or implementation of major accounting policy and practices changes;
- b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters addressed; and
- c) compliance with accounting standards and other legal requirements.

To ensure financial statements comply with applicable financial reporting standards.

4.5 Related Party Transaction and Conflict of Interests Situations

To review and report the same to the Board any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

4.6 Reporting of Breaches to the Exchange

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the ACE Market Listing Requirements, the Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

4.7 Major Findings

To consider the major findings of internal investigations and management's response.

4.8 Other Matters

To consider other topics as defined by the Board.

5. Minutes:

The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee and to the Board members.

6. Audit Committee Report

The Committee shall ensure that an audit committee report is prepared at the end of each financial year that complies with subparagraph (6.1) and (6.2) below:

6.1 The audit committee report shall be clearly set out in the Annual Report of the Company;

6.2 The audit committee report shall include the following:

- a) the composition of the Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- b) the number of Committee meetings held during the financial year end and details of attendance of each Committee member;
- c) a summary of work of the Committee in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities;
- d) a summary of the work of the internal audit function.