

TONG HERR RESOURCES BERHAD
Registration No. 199701016642(432139-W)
AUDIT COMMITTEE
Terms of Reference

1. Objectives

An independent Audit Committee is a fundamental component of good corporate governance.

The Audit Committee is established by the Board as a sub-committee and its powers are delegated by the Board. The Board retains responsibility for decisions, performance and outcomes of the Audit Committee and does continually monitor the Audit Committee's activities.

The roles, composition and necessary powers and responsibilities of the Audit Committee would be set out in its Terms of Reference.

The Audit Committee has the principal objective of assisting the Board of Directors of the Company and its subsidiaries to fulfill its oversight responsibilities in areas such as financial reporting, internal control systems, risk management systems, corporate governance, business and public accountability and, last but not least, the internal and external audit functions.

2. Membership and Composition

- a) The Committee shall be appointed by the Board from amongst the Directors and all of whom must be Non-Executive Directors and shall consist of not less than three (3) members with the majority being Independent Directors.
- b) At least one 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 3 years' working experience and –
 - (aa) he must have passed the examination specified in part I of the First Schedule of the Accountant Act 1967; or
 - (bb) he must be a member of one of the association of accountants specified in part II of the First Schedule of the Accountant Act 1967; or
 - (iii) fulfills such other requirements as prescribed or approved by the Exchange.
- c) No Alternate Director shall be appointed as a member of the Committee.
- d) The Audit Committee shall elect a chairman from amongst its members who is an Independent Non-Executive Director.
- e) If a member of the committee resigns, dies or for any reason ceases to be a member with the result that the numbers is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.
- f) A former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

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- g) The Board shall review the terms of office and performance of the committee members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

3. Meetings

Meetings shall be held once every quarter. The Chairman shall call a meeting of the Committee if requested to do so by any Committee member, the management or the internal or external auditors. The quorum of the meeting shall be two members, the majority of whom must be independent.

4. Attendance at Meetings

The Finance Manager, Internal Auditor and representative of the External Auditors should normally attend meetings. The Audit Committee may invite any person to be in attendance to assist in its deliberation.

5. Secretary

The Company Secretary shall be the Secretary to the Audit Committee.

6. Duties and Responsibilities

- a) Review with the External Auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- b) Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- c) Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.
- d) Review major audit findings and the management's response during the year with management, External Auditors and Internal Audit Team, including the status of previous audit recommendations.
- e) Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- f) Review the appointment and performance of External Auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- g) Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the Internal Auditors' and/or External Auditors' evaluation of the said systems.

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- h) Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- i) Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant or unusual events; and
 - compliance with accounting standards and other legal requirements.
- j) Review procedures in place to ensure that the Group is in compliance with the Companies Act 2016, Listing Requirements of Bursa Malaysia Securities Berhad and other legislative and reporting requirements.
- k) Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity.
- l) Performing any other relevant duties assigned by the Board of Directors.

7. Authority

The Audit Committee is authorized by the Board to investigate any activity within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to the Company or the Group.

The Committee shall have direct communication channels with both the External Auditors and Internal Audit Team. The Committee shall also have the right to obtain outside legal or other independent professional advice and to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.