

# **SHH RESOURCES HOLDINGS BERHAD**

(Company No: 304227-U)

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

### **CONSTITUTION**

The Audit Committee ("Committee") was established by the Board of Directors on 3rd May 1996 primarily to ensure that internal and external audit functions of the Group are properly conducted, recommendations are being appropriately implemented and the integrity of the internal control systems are maintained.

### **TERMS OF REFERENCE**

#### **1. Objectives**

- 1.1. The primary objective of the Committee is to assist the Board of Directors in fulfilling their responsibilities relating to accounting and financial reporting system and internal control procedures.
- 1.2. The Committee shall ensure that the Group establishes and maintains appropriate and effective internal control system and provide oversight for such system on an ongoing basis.
- 1.3. The Committee should provide advice to and assist the Board in fulfilling such responsibilities and any other responsibility as may be delegated by the Board from time to time.

#### **2. Composition**

- 2.1. The Committee shall be appointed by the Board of Directors from among their number and shall comprise not fewer than 3 members. Members of the Committee should consist of Non-Executive Directors with majority of them shall be Independent Non-Executive Directors.
- 2.2. The Committee shall at all times ensure that at least one (1) member of the Committee shall be:
  - a member of the Malaysian Institute of Accountants (MIA); or
  - if he or she is not a member of MIA, he must have at least three (3) years of working experience and:-
  - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - he or she must be a member of the associations of accountants specified in Part II of the 1st schedule of the Accountants Act 1967.
- 2.3. A former partner or member of the audit team who was involved in the audit of the Company shall be prohibited from acting as a member of the Committee for a period of three (3) years commencing on the date of his ceasing:
  - to be a partner or employee of the firm; or
  - to have any financial interest in the firm;whichever is later.

- 2.4. A member of the Committee may relinquish his/her membership by written notice to the Company Secretary. If a member of the Committee for any reason ceases to be a member with the result that the number is reduced to below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

### **3. Chairman**

- 3.1. The members of the Committee shall elect a Chairman from amongst its members. The Chairman elected shall be subject to endorsement by the Board.
- 3.2. In the event the elected Chairman is not able to attend a meeting, a member of the Committee shall be nominated as Chairman for the meeting.

### **4. Secretary**

- 4.1. The Company Secretary of the Board or his/her nominee, or such person nominated by the Committee, shall act as the Secretary of the Committee.

### **5. Quorum**

- 5.1. The quorum of the committee shall be at least two members.
- 5.2. In the absence of a quorum, the meeting shall be adjourned to such other time, date and venue as the Committee may determine.

### **6. Frequency of meetings**

- 6.1. The Committee will meet at least once a quarter and such additional meetings as the Chairman shall decide in order to fulfil its duties.
- 6.2. In addition, the Chairman may call a meeting of the Committee if a request is made by any member of the Committee, the Company's Board of Directors or the Company's Managing Director, the external auditors or the internal auditors where applicable.

### **7. Notice of meetings**

- 7.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- 7.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and such relevant documents or information as may be required by the member, shall be forwarded to each member of the Committee and any other person required to attend, no later than seven (7) days before the date of the meeting.
- 7.3. Members of the Committee shall have the opportunity to seek additional information, and are able to obtain further clarification from the Management or other relevant parties should the need arises.

## **8. Meeting of the Committee**

- 8.1. Only members of the Committee have the right to attend committee meetings. However, other individuals such as representatives of the Management and/or Company Secretary may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 8.2. The meeting of the Committee may be conducted via face-to-face and/or by means of any other conferencing technology as may be deemed appropriate by the Chairman of the Committee.
- 8.3. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 8.4. Each member of the Committee eligible to vote at a committee meeting shall have one (1) vote.
- 8.5. A member is required to abstain from deliberation and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.
- 8.6. All resolutions of the Committee shall be adopted by a simple majority vote.
- 8.7. In the event of an equality of votes, the Chairman of Committee shall be entitled to second or casting vote.

## **9. Minutes of Meetings and Committee Reports**

- 9.1. The Secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 9.2. Draft minutes of the Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be signed by the Chairman of the Meeting.
- 9.3. Signed minutes of meeting shall be kept at the registered office of the Company and shall, upon request, be made available to all other members of the Board unless it would be inappropriate to do so.
- 9.4. The Chairman shall report to the Board summarising the Committee's activities during the year and the related significant results and findings.

## **10. Duties and Responsibilities**

- 10.1. The Committee shall review and, where appropriate, report to the Board on the following:

### **(a) Internal Audit**

- The internal audit function will report directly to the Committee;
- The adequacy of the internal audit scope and plan, functions, competency, resources and budget of the internal audit function and that it has the necessary authority to carry out its work;

- Effectiveness and independence of the internal audit function; and
- Any appraisal or assessment of the performance of members of the internal audit function, including the Head of Internal Audit and if deemed necessary, senior staff members of the internal audit function.

**(b) External Audit**

- The external auditors' audit plan and scope of their audits, including any changes to the planned scope of the audit plan and to ensure an effective coordination of audit where more than one audit firm is involved;
- The external auditors' audit report and their evaluation of the system of internal controls;
- The appointment and performance of external auditors, the audit fee and any question of resignation or dismissal including any written explanations before making recommendations to the Board, including to review if there is any reason to believe that the external auditors are not suitable for re-appointment;
- The assistance given by the employees to the external auditors, and any difficulties encountered in the course of the audit work;
- The proper policies and procedures to assess the suitability and independence of 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 all relevant professional and regulatory requirements; and
- Any engagement of non-audit services provided by the external auditors and the fee for such service to ensure their independence is maintained.

**(c) Audit Reports**

- Internal and external audit reports together with management's responses to ensure that appropriate and prompt remedial action is taken by the management on major deficiencies in controls or procedures that are identified, including status of previous audit recommendations; and
- Findings of internal investigations and related management responses.

**(d) Financial Reporting**

The quarterly results and the year end financial statements of the Company and the Group for recommendation to the Board of Directors for approval, focusing particularly on:

- changes in or implementation of accounting policies and practices;
- significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
- significant adjustments arising from the audit;
- going concern assumption; and
- compliance with accounting standards and other legal requirements.

**(e) Audit Committee Report and Statement of Risk Management and Internal Control**

The Audit Committee Report and Statement on Risk Management and Internal Control for publication in the Company's Annual Report.

**(f) Related Party Transactions**

Any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transactions, procedures or course of conduct that raises questions of management integrity.

- 10.2. Such other functions as the Committee considers appropriate or as authorised by the Board of Directors.

**11. Authority**

- 11.1. The Committee is authorised to investigate any matter or activity of the Group within its terms of reference and request any information from any employee/director/contractor/consultant (or other provider of services, including legal and tax advisers) of the Company/Group in order to perform its duties.
- 11.2. The Committee shall have unrestricted access to both the external and internal auditors, when applicable.
- 11.3. The Committee shall have access to sufficient resources in order to carry out its duties, including authority to retain persons or experts having special competence as necessary to assist the Committee in fulfilling its responsibilities.

**12. Term of Office**

The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee of the Company annually to determine whether the Committee and its members have carried out their duties in accordance with their Terms of Reference.

**13. Review of the Terms of Reference**

- 13.1. The Committee shall review and assess the adequacy of this Terms of Reference on a periodic basis or as and when necessary.
- 13.2. Any proposed changes to the Terms of Reference shall be approved by the Board.