

**POH HUAT RESOURCES HOLDINGS BERHAD (“The COMPANY”)
TERMS OF REFERENCE OF AUDIT COMMITTEE**

1. OBJECTIVES

- 1.1. The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling their responsibilities relating to accounting and financial reporting system and internal control procedures. It should ensure that the Company establishes and maintains appropriate and effective internal control system and oversee such system on an ongoing basis.
- 1.2. The Committee shall also provide the necessary independent and neutral avenue for reporting and feedback between the internal and external auditors and the Board of the Company and of its subsidiaries.
- 1.3. Specifically, the Committee will:-
 - oversee and appraise the quality of the audits conducted by the Company’s external auditors and where applicable, the internal auditors in order to strengthen the confidence of the shareholders and public in the Group’s reported results;
 - maintain, by scheduling regular meetings, open line of communication amongst the Board members, external auditors and where applicable, internal auditors to exchange views and information as well as confirm their respective authority and responsibilities; and
 - provide assistance to the Board in fulfilling their fiduciary duties and responsibilities relating to the conduct of the business and affairs of the Group.

2. COMPOSITION

- 2.1. The members of the Committee shall be appointed by the Board from amongst their members and shall comprise no fewer than 3 members. All the audit committee members must be non-executive directors of which a majority shall be independent directors.
- 2.2. All members of the Committee shall be financially literate and 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.

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- 2.3. A former partner or team member of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two (2) years commencing on the date of his ceasing:

- to be a partner of the firm; or
- to have any financial interest in the firm;

whichever is later.

- 2.4. The members of the Committee shall elect a Chairman from among their number who is an independent director. The Chairman elected shall be subjected to endorsement by the Board.

- 2.5. If a member of the Committee for any reason ceases to be a member with the result that the number of members is reduced to below 3, the Board 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. TERM OF OFFICE

- 3.1. 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 Audit Committee and its members have carried out their duties in accordance with their Terms of Reference.

4. MEETINGS

- 4.1. The Committee will meet at least once a quarter and such additional meetings as may be required for the Committee to fulfil its duties. In addition, the Chairman of the Committee may call a meeting of the Committee if a request is made by any Committee member, the Company's Managing Director, the external auditors or where applicable, the internal auditors.
- 4.2. At all meetings of the Committee, the Chairman of the Committee, if present, shall preside. If the Chairman of the Committee is absent, the members present at the meeting shall elect a Chairman for the meeting. The Chairman may appoint a secretary to record the proceedings of all meetings and administration of the affairs of the Committee.
- 4.3. A quorum shall consist of a majority of the members of the Committee. No business shall be transacted at any meeting unless a quorum is present.

5. AUTHORITY

- 5.1. The Committee is authorised to request any relevant information and seek the assistance of any employees of the Group in procuring the same on matters within its terms of reference. All employees of the Group are directed to co-operate with any request made by the Committee.
- 5.2. The Committee shall have unrestricted access to the external auditors and the internal auditors as well as the management of the Group. The Audit Committee shall be empowered to retain external experts and/or person having special competence as necessary to assist the Committee in fulfilling its responsibilities.

6. DUTIES AND RESPONSIBILITIES

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

6.1. Risk Management, Internal Control and Sustainability Management

- The adequacy and effectiveness of risk management, internal control, sustainability management and governance systems instituted in the Company and the Group
- The Group's risk management policy, and continuous compliance with the risk management framework by significant operating units across the Group.
- The Group's sustainability strategies, implementation and management which include policies, processes, systems and allocation of resources.
- The appointment or termination of members of the risk management committee.
- The annual report of the risk management committee.

6.2. Internal Audit

- The internal audit function will report directly to the Audit 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
- 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

6.3 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

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- Any engagement of non-audit services provided by the external auditors and the fee for such service to ensure their independence is maintained

6.3 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
- Findings of internal investigations and related management responses

6.4 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
- compliance with accounting standards and other legal requirements
- Audit Committee Report and Statement on Risk Management and Internal Control for publication in the Company's Annual Report

6.5 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.

6.6 Other Functions

Any such other functions as the Audit Committee considers appropriate or as authorised by the Board of Directors.

7 REVIEW OF THE TERMS OF REFERENCE

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

8 APPROVAL

- 8.1 The Terms of Reference was reviewed and approved by the Board of Directors on 12 December 2018.