



APB Resources Berhad

Registration No.: 200101029080 (564838-V)

TERMS OF REFERENCE AUDIT COMMITTEE

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1 Name of Committee

Audit Committee of APB Resources Berhad ("Committee")

2 Objectives

The Board's responsibilities which have been delegated to the Committee should be clearly conveyed and explicitly defined. The Terms of Reference will not only help the Committee members focus on their roles and responsibilities but the disclosure of such will also enable shareholders to be apprised of the roles and responsibilities of the Committee.

3 Roles and Responsibilities

The primary roles and responsibilities of the Committee with regards to the Group's Internal Audit Department, External Auditors, Financial Reporting, Related Party Transactions, Annual Reporting and Investigation are as follows:

(a) Internal Audit

- (i) mandate the Internal Audit Department to report directly to the Committee;
- (ii) review the adequacy of the scope, functions, budget, competency and resources of the Internal Audit Department, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency;
- (iii) review Internal Audit Reports and ensure that appropriate and prompt remedial action is taken by the Management on lapses in controls or procedures that are identified by Internal Audit Department;
- (iv) review the appraisal or assessment of the performance of the Internal Audit Department;
- (v) approve the appointment or termination of the Group Head – Internal Audit;
- (vi) review the results of ad-hoc investigations performed by the Internal Audit Department and the actions taken relating to those investigations;
- (vii) review the adequacy of the Internal Audit Charter;
- (viii) approve the Internal Audit Charter, which defines the purpose, authority, scope and responsibility of the Internal Audit function within the Group;
- (ix) review and approve the Internal Audit plan for the Group; and
- (x) monitor that all recommended actions by the Group Internal Audit Department are implemented in a timely manner.

(b) External Audit

- (i) consider the appointment of the External Auditors, Audit fees, resignation or dismissal of the External Auditors;
- (ii) submit a copy of written representation or submission of External Auditors' resignation to Bursa Malaysia;
- (iii) monitor the effectiveness of the External Auditors' performance and their independence and objectivity;
- (iv) discuss with the External Auditors before the Audit commences, the Audit plan which includes the nature and Scope of the Audit, and ensure co-ordination where more than one (1) Audit firm is involved;
- (v) review major findings raised by the External Auditors and Management's responses, and monitor that all recommendations arising from the audit are properly implemented including the status of the previous audit recommendations;
- (vi) discuss problems and reservations arising from the interim and final Audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
- (vii) provide a line of communication between the Board and the External Auditors;
- (viii) review the extent of assistance and co-operation extended by the Group's employees to the External Auditors and ensure that all information required by the External Auditors were made available to them;
- (ix) review and monitor the provision of non-audit services by the External Auditors and to ensure that they comply with the external auditor independence policy;
- (x) The Committee is responsible to obtain confirmation from the External Auditors that they are, and have been, independent throughout the conduct of the audit engagement;
- (xi) ensure that there is coordination between both Internal and External Auditors; and
- (xii) receive continuous updates from the External Auditors on changes in the Malaysian Financial Reporting Standards as well as the International Financial Reporting Standards to ensure that the Group is ready for implementation and to understand the implication, if any, on the Group's Financial Statements

(c) Financial Reports and Bursa Malaysia Announcements

- (i) to review and recommend the quarterly and annual financial statements of the Group and Company for approval of the Board;

- (ii) to review significant adjustments arising from the Audit; litigation that could affect the results materially; the going concern assumption; compliance with Accounting Standards, other legal and regulatory requirements; where necessary, make appropriate recommendations to the Board for approval; and review and ensure corporate disclosure policies and procedures of the Group comply with the disclosure requirements of Bursa Malaysia.

(d) Related Party Transactions

- (i) review any related party transactions and conflict of interest situations and where appropriate, make recommendations to the Board for approval that such transactions are at arm's length and are in the best interest of the Group or Company; and
- (ii) review the process used to procure the shareholders' mandate for recurrent related party transactions.

(e) Annual Report

- (i) report the Audit Committee's activities for the financial year;
- (ii) prepare for the Board's consideration and approval, a draft of the Audit Committee Report to be set out in the Company's annual report;
- (iii) review the Statement on Risk Management and Internal Control;
- (iv) review the Statement on Corporate Governance; and
- (v) prepare for the Board's consideration and approval, the disclosure on Internal Audit functions in the Annual Report which shall include:
 - whether the Internal Audit Department personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
 - the number of resources in the Internal Audit Department;
 - name and qualification of the person responsible for internal audit; and
 - whether the Internal Audit function is carried out in accordance with the Internal Audit Charter.

(f) Investigations

- (i) consider major findings of internal investigations and Management's response; and
- (ii) review the Company's procedures for detecting fraud and whistle blowing.

(g) Internal Control

- (i) evaluate the overall adequacy and effectiveness of the system of internal controls including information technology controls; and
- (iii) review the employee code of business practice, vendor code of business practice, the whistle-blowing policy and the outcome of any defalcation cases investigated.

(h) Reporting of Breaches to Bursa Malaysia

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 Bursa Malaysia Main marketing Listing Requirements and other laws and regulations, the Committee shall promptly report such matter to Bursa Malaysia and/or the relevant authorities.

(i) Other matters

Consider any other matters as directed by the Board.

4 Authorities

The Company must ensure that wherever necessary and reasonable for the performance of its duties, the Committee shall, in accordance with a procedure to be determined by the Board and at the cost of the Company:

- (i) have authority to investigate any matter within this Terms of Reference;
- (ii) have the resources which are required to perform its duties;
- (iii) have full and unrestricted access to any information pertaining to the Group and/or Company;
- (iv) have direct communication channels with the External Auditors and the Internal Audit Department;
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with the External Auditors, Internal Audit Department or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

5 Members

Members of the Committee shall be appointed by the Board and shall comprise at least three (3) members, all of whom shall be non-executive directors and a majority of whom shall be independent directors. No alternate director shall be appointed as a member of the Committee. All members of the Committee shall be financially literate and at least one (1) member shall:

- (i) be a member of the Malaysian Institute of Accountants;

- (ii) any former key audit partner of the external audit firm of the Group and/or the Company shall observe a cooling period of at least three (3) years before one is eligible for appointment as a member of the Audit Committee;
- (iii) each appointed Committee member shall hold office until the earlier of:
 - (a) such time as the Board determines to terminate his/her appointment; or
 - (b) the Committee member ceasing to be a member of the Board. If a member of the Committee resigns, dies, is incapacitated or for any reason ceases to be a member which results in the non-compliance with Bursa Malaysia Main Market Listing Requirements the Board shall fill the said vacancy. The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually.

6 **Chairman**

The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director and shall not be the Chairman of the Board. In the absence of the Chairman in any meeting, the remaining members present shall elect one (1) of themselves to chair the meeting.

7 **Quorum**

The quorum for meetings shall be at least two (2) members, of whom the majority present shall be an independent director. A duly convened meeting of a 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 **Number of Meetings and Notices of Meetings**

The Committee shall meet at least four (4) times each financial year and at such other times as the Chairman of the Committee considers necessary or appropriate.

Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than seven (7) business days before the date of the meeting. Reasonable time should be given for the Committee members and to other attendees as appropriate, to consider all relevant papers and materials prior to the Committee meeting.

9 **Voting, Proceedings and Minutes of Meetings**

Matters arising at any meeting shall be decided by a majority vote of the members present, each member having one (1) vote. In the event of equality of votes, the Chairman of the Committee shall have a second or casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman of the Committee will not have the second or casting vote.

The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. The

minutes of the Committee, when approved by the Committee, should be circulated to the Board.

The Committee may pass resolutions in writing, signed by all the members, which shall be valid and effectual as if it is passed at a meeting of the Committee duly convened and held.

10 Reporting Structure

In addition to the availability of detailed minutes of the Committee meetings to all Board members, the Chairman of the Committee at each Board meeting will report a summary of significant matters.

The Committee shall not be delegated with decision making powers but shall report its recommendations to the Board for decision.

The Committee shall compile a report to shareholders on its own activities to be included in the Company's Annual Report.

The Committee Chairman shall respond to any questions relating to the Committee's activities at the Annual General Meeting of the Company, where required.

11 The Secretary

The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman of the Committee, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.

The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee, including the names of those present and in attendance. Meeting minutes shall be approved by the Committee at its next meeting. The minutes of the Committee, when approved by the Committee and signed by the Chairman of the Committee, should be circulated to the Board.

12 Review of the Terms of Reference

The Terms of Reference of the Committee shall be reviewed and amended as necessary to determine its adequacy in line with the current circumstances, the Company's policies and applicable rules and regulations.