



SKP RESOURCES BHD

[Registration No. 200001021690 (524297-T)]
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. **Composition of members**

The Board of Directors (the "**Board**") shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) members, all of whom shall be Non-Executive Directors, with a majority of Independent Directors.

*In this respect, the Board adopts the definition of "Independent Non-Executive Director" as defined under Chapter 1 of the Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements (the "**Listing Requirements**").*

All members of the Audit Committee should possess a wide range of necessary skills and undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules in order to discharge their duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

At least one (1) member:

- (a) shall be a member of the Malaysian Institute of Accountants ("**MIA**"); or
- (b) if he/she is not a member of the MIA, he/she must have at least three (3) years of working experience and:
 - i. he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - ii. he/she must be a member of one (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- (c) fulfils such other requirements as prescribed by Bursa Securities.

No alternate director shall be appointed as a member of the Audit Committee.

No former partner of the external audit firm of the Group (including all former partners of the audit firm and/or the affiliate firm) is appointed as a member of the Audit Committee without observing a cooling-off period of at least three (3) years before appointed as a member of the Audit Committee.

Retirement and resignation

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance with the composition criteria as stated in paragraph 1 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

2. **Chairman**

The members of the Audit Committee shall elect a Chairman (the "**Chairman**") from amongst their number who shall be an Independent Non-Executive Director and who shall not be the Chairman of the Board.

A vacancy resulting in the non-compliance with the requirement on the election of an independent Chairman of the Audit Committee must be filled within three (3) months.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who shall be an Independent Non-Executive Director to chair the meeting.

The Chairman of the Audit Committee is responsible for ensuring the overall effectiveness and independence of the Committee.

The role of the Chairperson is planning and conducting meetings, overseeing reporting to the Board, encouraging open discussion during meetings, and developing and maintaining an active ongoing dialogue with Management, the internal auditors and the external auditors. The Chairman should also attend the Shareholders' Meeting to answer any shareholder's questions on the Committee's activities.

The Chairman of the Audit Committee together with other members of the Audit Committee should ensure among others that:-

- the Audit Committee is fully informed about significant matters related to the Company's audit and its financial statements and addresses these matters;
- the Audit Committee appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
- The Audit Committee's concerns on matters that may have an effect on the financial or audit of the Company are communicated to the external auditor; and
- there is co-ordination between internal and external auditors.

3. Secretary

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

4. Terms of Office

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

5. Meetings

The Audit Committee shall meet at least four (4) times a year, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. Additional meetings may be convened by the Chairman of the Audit Committee, or at the requisition of other Committee members with the Chairman's discretion, to discuss matters within the terms of the Audit Committee in between scheduled meetings. If a member is unable to be physically present, the member may choose to participate via video or teleconference.

Notice of Audit Committee meetings shall be given to all Audit Committee members. The Secretary of the Audit Committee, in consultation with the Chairman, shall draw up the agenda of the meeting. The agenda, together with the relevant papers, should be targeted to be circulated prior to each Committee meeting.

Upon the request of the external auditors and internal auditor, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters the external auditors believe should be brought to the attention of the Directors or shareholders.

The Chairman of the Audit Committee shall engage on a continuous basis with the Chairman of the Board, Executive Directors, Key Senior Management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

Attendance of other Directors, employees or external parties, e.g. representatives of the internal and external auditors, at any particular Audit Committee meeting shall be at the invitation of the Audit Committee, but not necessarily for the full duration of the meeting.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Audit Committee shall have a second or casting vote. An Audit Committee member shall abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

6. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairman shall report on the proceedings of each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

7. Quorum

The quorum for the Audit Committee meeting shall be the majority of members present or via video/teleconferencing who must be Independent Non-Executive Directors.

8. Circular Resolution

A resolution in writing signed by a majority of the Audit Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted.

Any such resolution may consist of several documents in like form, each signed by one (1) or more Audit Committee members. Any such document may be accepted as sufficiently signed by an Audit Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an Audit Committee member.

9. Reporting

As a reporting procedure, the minutes of each Audit Committee meeting shall be tabled for the Board's notation and circulated to all members of the Board once the minutes have been confirmed by the Audit Committee.

The Audit Committee shall report to the Board, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at the next Board meeting after each Audit Committee meeting.

The Audit Committee shall report to the Board on any specific matters referred to it by the Board for investigation and report.

An Audit Committee Report shall be prepared at the end of the financial year pursuant to Paragraph 15.15 of the Listing Requirements.

10. Objectives

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory and fiduciary duties; and responsibilities relating to the accounting and reporting practices of the Company and each of its subsidiaries. In addition, the Audit Committee shall:

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by Management is relevant, reliable and timely;
- (c) oversee the Company's compliance with laws and regulations; and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment.

11. Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company:

- (a) have explicit authority to investigate any activity within its Terms of Reference. All employees shall be directed to co-operate as requested by members of the Audit Committee;
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and Senior Management of the Company and the Group;
- (c) obtain other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary;
- (d) have direct communication channels, and be able to convene meetings without Management's presence, with the internal and external auditors and person(s) carrying out the internal audit function or activity; and

- (e) where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.
- (f) convene meetings with the external auditors, without the presence of executive members of the Audit Committee, whenever deemed necessary.

12. Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:

- (a) to consider and recommend the appointment of the external auditors, the audit fee and any question of resignation or dismissal, taking into consideration the external auditors' independence, experience and qualification;
- (b) to ensure that written assurance from the external auditors is obtained annually on their independence throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements and to ensure the external auditors confirm that they are not aware of any relationship between them and the Group that may reasonably impair their independence;
- (c) to establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors, i.e. the Policies and Procedures to Assess the Suitability and Independence of and the Provision of Non-Audit Service by External Auditors;
- (d) to review and approve the provision of non-audit services by the external auditor before it is rendered to the Company;
- (e) to ensure that the provision of non-audit services by the external auditor and its network firms/companies comply with the policy on the provision of non-audit services by external auditors such that the objectivity and independence of the external auditors is not impaired;
- (f) 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;
- (g) to review with the external auditors the audit plan, the evaluation of the system of internal controls and the audit report, as well as the assistance given by Management to the external auditors;
- (h) to review the quarterly and year-end financial statements of the Group before its recommendation of the same to the Board, focusing particularly on:
 - any change in, or implementation of, accounting policies and practices;
 - significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;

- the going concern assumption; and
 - compliance with applicable financial reporting standards and other legal requirements.
- (i) to 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);
- (j) to review the external auditors' management letter and the Management's response;
- (k) to assess the performance, suitability, objectivity and independence of the external auditors on an annual basis;
- (l) to do the following, in relation to the internal audit function:
- 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;
 - ensure that the internal auditor continuously keeps abreast with developments in the profession, relevant industry and policies with updates of the internal audit team's resources, skillset and training on at least an annual basis;
 - review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigations and actions and steps taken by Management in response to audit findings;
 - review any appraisal or assessment of the performance of members of the internal audit function and be satisfied that the internal audit should be carried out objectively and is independent from the management of the Company and the functions which it audits and report its findings directly to the Audit Committee; and
 - approve any appointment or termination of internal auditors.
- (m) to consider any related party transactions and conflict of interest situation that arose, persist or may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of integrity and the measures taken to resolve, eliminate, or mitigate such conflicts;
- (n) to report its findings on the financial and Management's performance and other material matters to the Board;
- (o) to consider the major findings of internal investigations and Management's response;
- (p) to monitor the integrity of the Company's financial statements;

- (q) to monitor the performance of the internal audit function;
- (r) to monitor the Company's compliance with relevant laws, regulations and code of conduct;
- (s) to review the adequacy and effectiveness of risk management, internal control and governance systems;
- (t) to review the Company's procedures for detecting fraud and whistle-blowing;
- (u) to review and assess the Group's anti-bribery and corruption management and Anti Bribery and Corruption ("**ABC**") Framework to ensure its adequacy and effectiveness in line with the ABC commitment and risk appetite by the Board and whether it is in line with the Group's mission, vision, strategies and business objectives with the results and recommendation reported to the Board;
- (v) to consider and examine such other matters as the Audit Committee considers appropriate; and
- (w) to consider other matters as delegated by the Board.