



# **TERMS OF REFERENCE AUDIT COMMITTEE**

**THREE-A RESOURCES BERHAD**

199901006659 (481559-M)

## 1. PURPOSE

The Audit Committee (“**AC**”) is established as a Board Committee of THREE-A RESOURCES BERHAD (“**3A**”) and its subsidiaries (collectively known as “**3A Group**”) with the following primary objectives:

- To discharge its statutory and fiduciary responsibilities of overseeing the financial risk processes and accounting and financial reporting practices within 3A Group.
- To review the quality of 3A Group’s accounting function, financial reporting and internal controls.
- To enhance the independence of the external and internal audit functions by providing direction to and oversight of these functions.
- To ensure that an effective ethics programme is implemented across the Group, and to monitor compliance with established policies and procedures.

## 2. COMPOSITION AND APPOINTMENT

2.1 The Board of Directors (“**Board**”) shall appoint the AC from amongst themselves. The AC shall comprise not less than three (3) members, all of whom shall be Independent Non-Executive Directors.

2.2 All members of the AC shall be financially literate and be able to understand matters under the purview of the Committee including the financial reporting process.

2.3 At least one (1) member of the AC shall:

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

2.4 No former key audit partner shall be appointed as a member of the AC before first observing a cooling-off period of at least three (3) years.

2.5 No alternate director shall be appointed as a member of the AC.

2.6 The term of office and performance of the AC and each of its members shall be reviewed by the Nomination Committee (“**NC**”) annually to determine whether the AC and its members have carried out their duties in accordance with their terms of reference.

2.7 In the event of any vacancy resulting in the number of members of the AC falling below three (3), the vacancy must be filled within three (3) months of that event.

### 3. CHAIRMAN

- 3.1 The Chairman of the AC shall be an Independent Non-Executive Director appointed by the Board. The Chairman of the AC shall not be the Chairman of the Board.
- 3.2 The Chairman is responsible for ensuring the overall effectiveness and independence of the AC. In particular, the Chairman is responsible for:
- planning and conducting meetings;
  - overseeing the reporting to the Board;
  - encouraging open discussion during meetings; and
  - developing and maintaining active on-going dialogue with the Managing Director, the Group Financial Controller, Management and the External and Internal Auditors.
- 3.3 The Chairman together with other members should ensure, amongst others, that:
- AC is fully informed about significant matters related to the 3A Group's audit and its financial statements and address these matters;
  - AC appropriately communicates its insights, views and concerns about relevant transactions and events to the internal and external auditors;
  - AC's concerns on matters that may have an effect on the financial audit of the 3A Group are communicated to the external auditors; and
  - there is co-ordination between internal and external auditors.

### 4. AUTHORITY

- 4.1 The AC is authorized by the Board and at the expense of the 3A Group to perform the following:
- Secure the resources in order to perform its duties as set out in its terms of reference
  - Investigate any matter within its terms of reference, including possible fraud, illegal acts or suspected violation of the Code of Conduct involving senior Management personnel or members of the Board. All employees shall be directed to co-operate as requested by the AC
  - Have full and unrestricted access to any employee of the 3A Group and all information and documents which are required to perform its duties
  - Obtain external legal or other professional advice as necessary
  - Convene meetings with the external auditors, internal auditors and the Company Secretary without the attendance of other directors of 3A Group
- 4.2 The AC shall report to the Board on matters considered and its recommendations thereon.

### 5. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the AC are as follows:

#### 5.1 Financial Reporting

- To review the quarterly result and annual audited financial statements of 3A Group before approval by the Board, focusing particularly on:

- any changes in or adoption of new accounting policies;
  - any changes in the presentation of the financial statements;
  - significant auditing and financial reporting matters, material audit adjustments, material fluctuations in balances; significant judgment and estimates made by Management, significant or unusual events or transactions highlighted by the external auditors, and how these matters are addressed;
  - significant contingent liabilities and commitments have been properly disclosed;
  - the going concern assumption used in the preparation of the financial statements is appropriate;
  - compliance with accounting standards and other legal requirements; and
  - whether the financial statements taken as a whole provide a true and fair view of the financial position and performance of 3A Group.
- ii. To report its findings on the financial and management performance, and other significant matters to the Board, and if appropriate, recommend to the Board the issuance of the quarterly and annual financial statements to Bursa Securities.
- iii. To discuss problems and issues encountered during the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of Management, where necessary).

## 5.2 External Auditors

- i. To consider the appointment or re-appointment of the External Auditors, the level of audit fees and any questions regarding resignation or dismissal.
- ii. To annually assess the suitability, objectivity and independence of the External Auditors, taking into consideration the following:
- the competence, audit quality and resource capacity of the External Auditors in relation to the audit;
  - the nature and extent of non-audit services rendered and the level of fees paid for such services relative to audit fees. In this connection, the AC shall review and approve all proposed non-audit services, including proposed fees, prior to work commencement; and
  - the conduct of and independence demonstrated by the External Auditors throughout the audit engagement.
- iii. To discuss with the External Auditors before the audit commences, their audit plan, the nature and scope of their audit of 3A Group's financial statements.
- iv. To review the External Auditors' management letter and Management's response to their suggestions for improvements.
- v. To ensure that assistance and full access to all information and documents and records required by the auditors is given by Management to the External Auditors.
- vi. To review with the external auditors their evaluation of the system of internal controls and their audit report and to report the same to the Board.

### 5.3 Internal Audit

To perform 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
- Review the annual internal audit plan, processes and the results of all internal audit assignments (including any special investigations) undertaken and ensure that appropriate actions are taken based on the recommendations
- Review the budget and ensure sufficient resources are allocated to the internal audit function
- Ensure that the internal audit function is independent of the activities it audits and that the head of internal audit reports functionally to the AC directly
- Review the effectiveness of internal audit control with the Thematic Review Framework and risk management in mind

### 5.4 Risk Management and Internal Control

To perform the following in relation to risk management and internal controls:

- Review the adequacy and effectiveness of risk management, internal control and governance systems implemented within the Group
- Monitor risk management processes to ensure they are integrated into all core business processes
- Review the report of the Risk Management Committee and ensure that all risks are well managed
- Review the Group's risk management policy and implementation of the risk management framework
- Review the statement on risk management and internal control in the Company's annual report

### 5.5 Related Party Transactions

To perform the following in relation to related party transactions:

- Review with the internal auditors their quarterly report from work performed to establish whether recurring related party transactions have been carried out in accordance with the mandate approved by shareholders (if any); and
- Review non-recurring corporate proposals involving related parties to ensure that they are in the best interest of 3A Group and not detrimental to the interest to minority shareholders.

### 5.6 Other Matters

To undertake such other assignments as requested by the Board from time to time or as the AC considers appropriate.

## 6. REPORTING

- 6.1 The Chairman of the AC shall report to the Board on its proceedings after each meeting on all matters within the scope of its duties and responsibilities.

- 6.2 The AC is responsible for making recommendations to the Board for consideration and adoption, but it has no executive power to implement the recommendations on behalf of the Board.
- 6.3 Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities' Main Market Listing Requirements, the AC has the responsibility of promptly reporting such matter to Bursa Securities.

## **7. MEETINGS**

### **7.1 Frequency**

- i. The AC shall meet 4 times annually, or more frequently, if deemed necessary.
- ii. The Internal Auditors shall attend meetings as invitees. The Group Financial Controller, other Board members, Management personnel and the External Auditors attend meetings upon the invitation of the AC.
- iii. The AC shall meet with the External Auditor and Internal Auditor without the presence of Non-Independent Directors or Management personnel whenever it is deemed necessary.

### **7.2 Notice and Agenda**

- i. The Secretary shall issue and circulate the notice of the AC meetings confirming the venue, time and date at least five (5) business days before each meeting to the AC members and all those who are required to attend the meeting.
- ii. The AC meeting agendas shall be the responsibility of the Chairman with input from the AC members, and assisted by the Group Secretary. Where necessary, the agenda shall include input from Management or other persons deemed appropriate to participate in this process.

### **7.3 Quorum**

- i. The quorum for a meeting of the AC shall be two (2) members, of whom shall be Independent Non-Executive Directors.
- ii. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to Chair the meeting.

### **7.4 Meeting Mode**

- i. A meeting of the AC shall normally be conducted face-to-face to enable effective discussion; however, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the NC.
- ii. The AC may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing, in lieu of formally convening a meeting. The Circular Resolution shall be as valid and effectual as if it has been passed by a meeting of the AC duly convened.

### 7.5 Voting

- i. All resolutions of the AC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman shall have a second or casting vote.
- ii. A resolution in writing, signed or approved by letter, electronic mail or other electronic communication by a majority of members, shall be as effectual as if it has been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more AC members.
- iii. AC member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

### 7.6 Meeting Minutes

- i. The minutes of the meeting shall be action oriented, and record the deliberations and decisions of the AC. Minutes shall include compiled Board instructions as Matters Arising for discussion at each AC meeting to ensure proper follow through.
- ii. Minutes shall be distributed to AC members and shall be approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.
- iii. The AC, through its Chairman, shall update the Board on the activities undertaken by the AC.

### 7.7 Secretary

- i. The Secretary to the AC shall be the Group Secretary.
- ii. The Secretary shall organise and provide assistance at AC meetings and have the following key responsibilities:
  - Ensure meetings are arranged and held accordingly
  - Assist the Chairman in planning the AC's activities
  - Draw up meeting agendas in consultation with the AC Chairman and maintain the minutes and draft its scheduled activities for the financial year
  - Ensure structured communication channels between the Board and the AC
  - Ensure proceedings of meetings are recorded and the minutes circulated in a timely manner, and reviewed by the AC before disseminating them to the Board

## 8. REVIEW OF TERMS OF REFERENCE

The AC shall recommend any changes to its terms of reference in such manner as it deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated periodically i.e. when there are changes to the Malaysian Code of Corporate Governance, Bursa Securities' Main Market Listing Requirements or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of 3A Group that may affect the AC's roles.