



**HANDAL RESOURCES BERHAD**  
**Company No. 816839-X**

**AUDIT COMMITTEE**  
**("the Committee")**  
**TERMS OF REFERENCE**

**1. Composition**

The Committee shall be appointed by the Board of Directors ("the Board") from amongst the Directors (based on the recommendation of the Nomination Committee) and shall consist of not less than three members and all of whom shall be Non-Executive Directors, with a majority of them being Independent Directors (Paragraph 15.09(1) of Listing Requirements).

All members of the Committee should be financially literate (Practice 8.5 of MCCG 2017), whereby in accordance to Paragraph 15.09(1)(c) of Listing Requirements:-

At least one member of the Committee:-

- Must be a member of the Malaysian Institute of Accountants; or
- If not a member of the Malaysian Institute of Accountants, that member must have at least 3 years' working experience and; must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or must be a member of one of the associations of the accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
- Fulfills such other requirements as prescribed or approved by the Exchange.

**2. Chairman**

The members of the Committee must elect a chairman among themselves who is an Independent Director and must not be the Chairman of the Board (Practice 8.1 of MCCG 2017).

**3. Quorum**

Two (2) members shall form a quorum for meetings provided the majority of members present must be independent directors (Paragraph 15.18 of Listing Requirements).

**4. Secretary**

The Secretary to the Committee shall be the Company Secretary and shall be responsible for drawing up the Notices, meeting agendas with the concurrence of the chairman and circulating it, supported by explanatory documentations to Committee members prior to each meeting.

Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with the meeting agendas can be sent/circulated to the Committee members in electronic form prior to each meeting.

The Secretary shall also be responsible for recording the proceedings of the Audit Committee and the minutes of meetings shall be ready for the Committee's approval before tabling at Board meetings.

## **5. Meetings and Minutes**

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

In addition to the Committee members, the meetings will normally be attended by the representatives of the departments in the Company and of the external and internal auditors as and when required.

The Committee may invite any person to be in attendance to assist it in its deliberations.

Minutes of each meeting shall be distributed to each member of the Board.

The decision of the Audit Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

The Committee shall be reporting to the full Board from time to time its recommendation for consideration and implementation and the actual decision shall be the responsibility of the Board of Directors after considering the recommendation of the Committee.

## **6. Authority**

The Committee is authorised by the Board to investigate and oversee any activity of the Company and its subsidiaries within its terms of reference or otherwise directed by the Board. It shall have:-

- The authority to investigate any matter within its terms of reference;
- The resources which are required to perform its duties;
- Full and unrestricted access to any information pertaining to the Company;
- Direct communication channels with the external auditors and internal auditors;
- The right to obtain independent professional or other advice;

- The rights to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the executive members of the committee, other directors and employees of the listed issuer, whenever deemed necessary. The Committee should meet with the external auditors without executive board members present at least twice a year.
- Provide assistance to the Board to meet its oversight responsibilities in relation to the Company's sustainability policies and practices.
- The Committee is also authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and reasonable for the performance of its duties.

## **7. Functions/Duties**

Apart from the functions stipulated in Paragraph 15.12 of Listing Requirements, the duties of the Committee should also include the following:

### **(a) Financial Reporting**

- To review the quarterly and year-end financial statements of the Company, focusing particularly on:-
  - Any changes in application of accounting policies and practices;
  - Significant and unusual events;
  - Significant adjustments arising from the audit;
  - Prudence and reasonableness in judgement and estimates;
  - The going concern assumption;
  - Whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgments, taking into account the external auditor's views on the financial statements; and
  - Compliance with accounting standards and other legal requirements;
- To review any other formal statements relating to its financial performance or contain any financial information prior to Board's approval and report to the Board on significant financial reporting issues.

### **(b) External Auditors**

- To recommend the nomination of a person or persons as external auditor(s) (inter alia, taking into account the adequacy of the experience and resources of the audit firm and the persons assigned to the audit), to consider the audit fee and any questions of resignation or dismissal, including the consideration of whether there is reason (supported by grounds) to believe that the Company's external auditor(s) is/are not suitable for re-appointment; and to consider the requisite skills and expertise, including industry knowledge to effectively audit the Company and that the audit fees paid are comparable to similarly sized companies in the same industry in accordance to the Company's External Auditors Appointment and Independence Policy.

- To discuss and review with the External Auditor before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- To meet with the External Auditors at least twice a year without the presence of the Executive Directors and Management staff.
- To review the suitability, independence and objectivity of the External Auditors and their services, including non-audit services (Practice 8.3 of MCCG 2017).
- To review and approve the External Auditors' audit plan, ensuring it is consistent with the scope of the audit engagement.
- 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)
- To review the External Auditors' management letter and Management's response to the audit findings and recommendations..
- To consider the major findings of internal investigations and management's response.

**(c) Internal Audit**

- To consider the appointment or termination and independency of the Internal Auditors. If necessary, to outsource the internal audit function to a professional audit firm (other than the Company's External Auditor)
- To receive the internal audit function reports from the Internal Auditors and to review the adequacy and effectiveness of risk management, internal control and governance systems (Practice 9.1 of MCCG 2017). Thereafter, to report the same to the Board.
- To consider and review the adequacy of the scope, functions, competency and resources of the internal audit function, the necessary authority to carry out its work and whether the internal audit function is carried out in accordance with a recognised framework (Practice 10.1 of MCCG 2017).
- To review and report the same to the Board of the Company's internal financial control systems that identify, assess, manage and monitor financial risk, and other internal control and risk management systems.
- To review and report the same to the Board of the results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
- To carry out annual assessment and report the same to the Board of the performance of members of the internal audit function.

- To review and approve the internal audit plan proposed by the Internal Auditors and consider the adequacy of the scope to be aligned to the key risks of the Group's business and other topics as defined by the Board.

**(d) Annual Report**

- To prepare/review the following for publication in the Company's annual report:-
  - Audit Committee Report at the end of each financial year that complies with the Listing requirements containing, inter alia, a summary of the activities of the Committee in the discharge of its functions and duties for that financial year, and the existence of an internal audit function together with the summary report of the activities of the internal audit function; and
  - If applicable, statement verifying allocations of options pursuant to any employees' shares option scheme, that such allocations are in accordance with the allocation criteria set out for the scheme.
  - the Statement of Corporate Governance that the Company has applied the principles set out in of the Malaysian Code on Corporate Governance 2017 ("the Code"), meaningful explanation on how the Company has applied the practices and on the extent of compliance with the CARE [Comprehend, Apply and Report] approach, specifying and giving reasons for any departure (if any) and disclose the alternatives adopted in such areas and how such alternative practices meet the Intended Outcome of the Code;
  - Statement of Directors' responsibilities for preparing the annual audited financial statements;
  - Statement of Risk Management and Internal Control of the Company as a Group, (together with the Risk Management Committee)(Practice 9.2 of MCCG 2017).
- Any other such information to the Board to assist the Board in making disclosure in the Annual Report in accordance with the MCCG 2017 and Appendix 9C Part A of the Listing Requirements.

**8. Others**

- To monitor and review any related party transactions that may arise within Group.
- To consider such other matters as the Committee considers appropriate or as authorised by the Board of Directors.
- To report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and how the Committee has discharged its responsibilities.

- The Chairman of the Committee is encouraged to engage on a continuous basis with senior management, such as the Chairman of the Board, the Executive Director(s), the Head of Finance and the external auditors in order to be kept informed of matters affecting the Company.