



TEXCHEM RESOURCES BHD.

AUDIT COMMITTEE STATEMENT

TERMS OF REFERENCE

Objective

1. The principal objective of the Audit Committee (AC) is to assist the Board in discharging its duties and responsibilities to ensure good corporate governance, business and public accountability.

Membership

2. The AC shall be appointed by the Board from among their members and shall consist of no fewer than three (3) non-executive directors. All AC members should be non-executive directors, with a majority of them being independent directors.

All members of the AC shall be financially literate and at least one (1) member should be a member of an accountancy association or body.

3. The AC shall elect a Chairman from among their members who shall be an Independent Non-Executive Director. In the absence of the Chairman, the remaining members present shall among themselves elect a Chairman who must be an independent director to chair the meeting.
4. In the event of any vacancy in the AC resulting in the non-compliance with 2 above, the Board of Directors shall fill the vacancy within three months.

Authority

5. The AC is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
6. The AC is authorised by the Board to obtain external, legal or independent professional advice and to secure the attendance of such external advisors with relevant experience if considered necessary.
7. The AC is authorised to convene meetings with the external auditors, the internal auditors or both, without the presence of other directors and employees, whenever deemed necessary.

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8. The AC is authorised to have direct communication channels with the external auditors and persons carrying out the internal audit function or activity.

Duties

9. The duties of the AC shall be

(a) to review:

- (i) with the external auditors, their audit plan;
- (ii) with the external auditors, their evaluation of the system of internal controls;
- (iii) with the external auditors, their audit report;
- (iv) with the external auditors, their management letter and management response;
- (v) with the external auditors, the adequacy of the co-operation given by the Company's officers in the course of audit;
- (vi) the quarterly and annual financial statements and consolidated financial statements of the Company and of the Group and recommend to the Board of Directors for consideration;
- (vii) any related party transactions or conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

- (b) to consider and recommend to the Board, the appointment of the external auditors, the audit fee and any question of resignation or dismissal.

(c) To do the following, in relation to the internal audit function:

- (i) 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;
- (ii) 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;
- (iii) Review any appraisal or assessment of the performance of members of the internal audit function;
- (iv) Approve any appointment or termination of senior staff members of the internal audit function; and
- (v) Take cognizance of resignations of internal audit staff members and provide the resigning staff members an opportunity to submit his reasons for resigning.

- (d) To consider any other functions as may be agreed between the AC and the Board of Directors.

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Attendance, Quorum and Frequency of Meeting

10. The Chairman of the AC should engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company.
11. The Chief Financial Officer, the Head of Internal Audit, and representatives of the external auditors shall normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the AC. However, the AC shall meet with the external auditors without the presence of Executive Board members at least twice a year and whenever necessary.
12. In order to form a quorum in the AC meeting, the majority of members present must be Independent Directors.
13. The Committee shall meet not less than 4 times a year. The external auditors may request for a meeting if they consider necessary.
14. Questions arising at any meeting of the AC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the AC shall have a second or casting vote.

Minutes

15. The Head of Internal Audit shall act as Secretary to the AC. The Minutes of each AC meeting shall be kept at the registered office and distributed to each member of the AC and also to the other members of the Board. The AC Chairman shall report on each meeting to the Board.
16. The Minutes of meetings of the AC shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.