

D.B.E. GURNEY RESOURCES BERHAD**AUDIT COMMITTEE****COMPOSITION**

The Audit Committee comprises of three (3) members of the Board whom are Independent Non-Executive Directors and one who is a member of the Malaysian Institute of Accountants (MIA). The members of the Audit Committee are as follows:-

Chairman

YM Ungku A Razak bin Ungku A Rahman (*Independent Non-Executive Director*)

Members

Dato' Ting Heng Peng (*Independent Non-Executive Director*)

Mr. Lee Kean Cheong (*Independent Non-Executive Director*)

TERMS OF REFERENCE**Constitution**

The Board has established a Committee of the Board to be known as the Audit Committee with authority and duties as specified in these terms of reference.

Objective

The primary objective of the Audit Committee is to assist the Board of Directors in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting practices, risk management, system of internal control, audit process and the process for monitoring compliance with laws and regulations.

Membership

The Audit Committee shall be appointed by the Board of Directors from among its members which fulfils the following requirements:-

- (a) the audit committee must be composed of no fewer than three (3) members;
- (b) all the audit committee members must be non-executive directors, with a majority of them being independent directors;
- (c) at least one member of the audit committee:-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
 - (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.

No alternate director shall be appointed as a member of the Audit Committee. The Audit Committee shall elect a Chairman from amongst its members who shall be an independent director. In order to form a quorum of the Audit Committee meeting, the majority of members present must be independent directors.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the membership requirements, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to fill the vacancy.

Members of the Audit Committee may relinquish their membership in the Audit Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company. The Company Secretary shall be the Secretary of the Audit Committee.

The Board of Directors will review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

Authority

The Audit Committee shall have the following authority as empowered by the Board of Directors:-

- (i) Have authority to investigate any matter within its terms of reference;
- (ii) Have the resources which are required to perform its duties;
- (iii) Have full and unrestricted access to any information, records, properties and personnel of the Company and its subsidiaries;
- (iv) Have direct communication channels with both the external auditors and the internal auditors or person(s) carrying out the internal audit function or activity;
- (v) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the Audit Committee meetings where necessary and to brief the Audit Committee thereof; and
- (vi) Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company or its subsidiaries, whenever deemed necessary.

The Audit Committee shall take into cognizance in its deliberations the Listing Requirements of the Bursa Malaysia Securities Berhad and the Code of Corporate Governance, and any other pertinent regulations and laws, as well as revisions which may come into force thereafter.

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Bursa Malaysia Securities Berhad, the Audit Committee shall promptly report such matter to the Bursa Malaysia.

Functions/Duties and Responsibilities

In fulfilling its primary objectives, the Audit Committee shall, amongst others, discharge the following functions/duties and responsibilities and report the same to the Board of Directors:-

1. Review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-
 - going concern assumptions;
 - any changes in accounting policies and practices;

- significant adjustments and unusual events; and
 - compliance with accounting standards, regulatory and other legal requirements.
2. Review and discuss with the external auditors of the followings:-
 - the audit plan, nature and scope of the audit prior to the commencement of audit;
 - their audit report;
 - their evaluation of the system of internal control;
 - problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary); and
 - their management letter and management's response.
 3. Consider and recommend the nomination and appointment, the audit fee and any questions of resignation, dismissal or re-appointment of the external auditors.
 4. Review the followings in relation to the internal audit function:-
 - adequacy and relevance of the scope, functions, competency and resources of internal audit and the necessary authority to carry out its work;
 - internal audit programme, processes and results of the internal audit programme, processes or investigation undertaken and whether or not appropriate actions are taken on the recommendations of the internal audit function;
 - effectiveness of the system of internal control;
 - major findings of internal audit investigations and management's response;
 - review any appraisal or assessment of the performance of the staff of the internal audit function;
 - approve any appointment or termination of senior staff member of the internal audit function; and
 - note resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation.
 5. Assess the Company's risks and the control systems aimed at addressing those risks.
 6. Review any related party transaction and conflict of interest situation that may arise within the Company or the Group.
 7. Review with the external auditors the statement made by the Board with regard to the state of internal control of the Group and to prepare the Audit Committee Report at the end of each financial year for inclusion in the Company's Annual Report. The Audit Committee Report shall include the following:-
 - the composition of the Audit Committee;
 - the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member;
 - a summary of the activities of the Audit Committee in the discharge of its functions and duties for that financial year of the Company; and
 - a summary of the activities of the internal audit function or activity.
 8. Ensure proper implementation and recommend appropriate remedial and corrective measures in respect of such findings arising from inspections conducted by the regulators.
 9. Review the changes in statutory requirements and any rules issued thereunder, and any significant audit problems that can be foreseen either as a result of the previous years' experience or because of new development.

10. In compliance with Paragraph 15.16 of Bursa Securities Listing Requirements, where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements, the Audit Committee must promptly report such matter to Bursa Securities.
11. Assist the Board to discharge its statutory duties and responsibilities.
12. Carry out such other responsibilities, functions or assignments as may be defined jointly by the Audit Committee and the Board of Directors from time to time.

Frequency of Meetings and Attendance

The Audit Committee shall meet at least five (5) times annually, or more frequently as circumstances dictate. The Audit Committee may invite any non-member Director, external auditor or employee of the Group to attend any of its meetings, to assist in its deliberations and resolutions of matter raised. However, the Committee shall meet with the external auditor without Executive Board members present at least twice a year.

Upon the request of the external auditor, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.

Proceedings of the Audit Committee Meeting

- (a) **Calling of Meetings**
The members may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit, provided that they shall have a minimum of five (5) meetings in a financial year.
- (b) **Notice of Meeting**
Notice of a meeting of the Audit Committee shall be given to all the members in writing via facsimile, hand delivered or by courier service. Unless otherwise determined by the Board of Directors from time to time, seven (7) days' notice shall be given, except in the case of an emergency, shorter notice may be given.
- (c) **Voting and Proceeding of Meeting**
The decision of the Audit Committee shall be by a majority of votes and the determination of the Audit Committee. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.
- (d) **Keeping of Minutes**
The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee and also members of the Board. The Audit Committee Chairman shall report on each meeting to the Board.
- (e) **Custody, Production and Inspection of Minutes**
The minutes of proceedings of the Audit Committee shall be kept by the Secretary at the registered office of the Company, and shall be opened for the inspection of any member of the Committee or any member of the Board of Directors.