

## **PRESTAR RESOURCES BERHAD**

(Company No. 123066-A)  
(Incorporated in Malaysia)

### **TERMS OF REFERENCE OF AUDIT COMMITTEE** **(Revised and Adopted on 23 May 2018)**

#### **1. Objectives**

The principal objectives of the Audit Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding 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 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.

#### **2. Composition of members**

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) non-executive directors. The majority of the Audit Committee members shall be independent directors.

*In this respect, the Board adopts the definition of "independent director" as defined under the Listing Requirements of Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").*

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

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

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

A former key audit partner of the Company is required to observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee. The former key audit partner is the engagement partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, on the engagement team who make key decisions or

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judgements on significant matters with respects to the audit of the financial statements on which the auditor will express an opinion.

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 such Audit Committee and members have carried out their duties in accordance with their terms of reference.

**Retirement and resignation**

If a member of the Audit Committee or Chairman of the Audit Committee resigns, dies, or for any reason ceases to be a member or Chairman resulting in non-compliance to paragraphs 2 and 3 of the terms of reference of the Audit Committee, the Board and members of the Audit Committee shall within three (3) months of the event appoint such number of the new members and Chairman of the Audit Committee respectively as may be required to fill the vacancy.

**3. Chairman**

The members of the Audit Committee shall elect a Chairman from amongst their number who shall be an independent director. The Chairman of the Audit Committee shall be not the Chairman of the Board.

In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman who must be independent director to chair the meeting.

**4. Secretary**

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

**5. Meetings**

The Audit Committee shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

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

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management, such as the Chairman, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Finance Director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and

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employees may attend meetings upon the invitation of the Audit Committee. However, the Audit Committee shall meet with the external auditors without executive Board members present at least twice a year and whenever necessary.

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.

**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 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 whom must be independent directors.

**8. Circular Resolutions**

A resolution in writing signed or approved by letter, telegram, telex or telefax by all the Audit Committee Members and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a Meeting of the Audit Committee duly called and constituted. All such resolutions shall be described as "Audit Committee Members' Resolutions in Writing" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by him in the Company's Minutes Book. Any such resolution may consist of several documents in like form, each signed by one (1) or more Audit Committee Members.

**9. 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 matter within its terms of reference, the resources to do so, and full access to information. 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 Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.

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- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- (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.

**10. Duties and Responsibilities**

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

*Risk Management and Internal Control*

To identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.

To review the adequacy and effectiveness of risk management, internal control and governance systems.

*Financial Reporting*

To review the quarterly results announcements to Bursa Securities and year-end annual financial statements before submission to the Board, focusing particularly on:-

- a) going concern assumption;
- b) compliance with accounting standards and other legal requirements which include the Listing Requirements of Bursa Securities and Securities Commission guidelines;
- c) changes in or implementation of major accounting policy changes;
- d) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
- e) major judgemental areas.

*Audit Process*

To do the following, in relation to the internal audit function:-

- a) review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- b) review the internal audit programme, processes and results of the internal audit programme, processes or investigation undertaken and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;

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- c) review internal audit plan, consider the audit reports and findings of internal audit, fraud investigations and actions and steps taken by management in response to audit findings;
- d) review any appraisal or assessment of the performance of members of the internal audit function;
- e) approve any appointment or termination of senior staff members of the internal audit function; and
- f) take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal.

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.

To establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into a procedures that must be followed by the external auditors.

To monitor independence and qualification of external auditors.

To review with the external auditors his evaluation of the system of internal controls and his audit report.

To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management, where necessary).

To review the external auditors' management letter and management's response.

To report its findings on the financial and management performance, and other material matters to the Board.

To consider the major findings of internal investigations and management's response.

To determine the remit of the internal audit function.

*Other Responsibilities and Duties*

To consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

To verify the allocation of employees' share option scheme ("**ESOS**") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company, if any.

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To consider other topics as defined by the Board.

To consider and examine such other matters as the Audit Committee considers appropriate.