

# **MESTRON HOLDINGS BERHAD**

(Company No. 1280732-K)

## **Audit Committee Terms of References**

### **1. PRIMARY PURPOSES**

The Audit Committee ("Committee") shall:

- (a) Provide assistance to the Board of Directors ("Board") in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Company and all its wholly and majority owned subsidiaries ("Group").
- (b) Improve the Group's business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group's reported results.
- (c) Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.
- (d) Enhance the effectiveness and independence of both the external and internal auditors' functions through active participation in the audit process.
- (e) Review and assess the suitability, objectivity and independence of external auditors.
- (f) Strengthen the role of the independent directors by giving them a greater depth of knowledge as to the operations of the Company and the Group through their participation in the Committee.
- (g) Act upon the Board's request to investigate and report on any issues or concerns with regard to the management of the Group.

### **2. MEMBERS**

The Board shall appoint the members of the Committee from amongst themselves, which fulfils the following requirements:

- (a) The Committee shall be composed of no fewer than three (3) members;
- (b) The Committee shall comprise solely of independent directors;
- (c) The Chairman of the Committee shall not be the chairman of the Board;
- (d) Former key audit partner of the Group shall observe a cooling-off period of at least two (2) years before being appointed as a member of the Committee;
- (e) At least one (1) of the members of the Committee must: -
  - (i) be a member of the Malaysian Institute of Accountants; or
  - (ii) have at least three (3) years working experience; and  
  
must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967, or  
  
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 by the Exchange.

## **2. MEMBERS (CONT'D)**

- (f) The Committee shall possess wide range necessary skills to discharge its duties;
- (g) All members of the Committee should be financially literate and are able to understand matters under the purview of the Committee; and
- (h) All members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

## **3. AUTHORITY**

The Committee shall in accordance with the procedure determined by the Board and at the cost of the Company: -

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- (e) be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of the executive members of the Company, at least twice a year and whenever deemed necessary.

## **4. FUNCTIONS AND DUTIES**

The functions of the Committee are as follows:

- (a) To review: -
  - (i) the nomination of external auditors;
  - (ii) the suitability, objectivity and independence of external auditors;
  - (iii) the adequacy of existing external auditors audit arrangements, with particular emphasis on the scope and quality of the audit;
  - (iv) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - (v) the effectiveness of the internal control and management information systems;
  - (vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (vii) the external auditors' audit report;
  - (viii) any management letter sent by the external auditors to the Company and the management's response to such letter;

#### **4. FUNCTIONS AND DUTIES (CONT'D)**

- (ix) any letter of resignation from the Company's external auditors;
  - (x) the assistance given by the employees of the Company to the external auditors;
  - (xi) all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
  - (xii) all related party transactions and potential conflict of interests' situations that may arise within the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (b) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal and on whether there is reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment.
- (c) To review the quarterly results and year-end financial statements, prior to the approval by the Board, focusing particularly on:
  - (i) changes in or implementation of major accounting policy changes;
  - (ii) 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
  - (iii) compliance with accounting standards and other legal requirements.
- (d) To review: -
  - (i) the policies and procedures for assessment of suitability and independence of external auditors; and
  - (ii) the policies and procedures governing the provision of non-audit services by external auditors.
- (e) To review and verify the allocation of share options to eligible persons as being in compliance with the by-laws approved by the Board of Directors and shareholders of the Company.
- (f) To carry out any other function that may be mutually agreed upon by the Committee and the Board, which would be beneficial to the Company and ensure the effectiveness discharge of the Committee's duties and responsibilities.
- (g) The Committee actions shall be reported to the Board of Directors with such recommendations as the Committee deemed appropriate.
- (h) To report to Bursa Malaysia Securities Berhad ("Bursa Securities") on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities for the ACE Market.

#### **5. RETIREMENT AND RESIGNATION**

In the event of any vacancy in the Committee, the Company shall fill in the vacancy within two (2) months, but in any case, not later than three (3) months.

## **6. MEETINGS**

- (a) The Committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
- (b) The quorum of the meeting is two (2).
- (c) Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the directors or shareholders.
- (d) The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.
- (e) The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.
- (f) The Company must ensure that other directors and employees attend any particular Committee meeting only at the Committee's invitation, specific to the relevant meeting.

## **7. NOTICE OF MEETINGS**

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than seven (7) days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

## **8. SECRETARY AND MINUTES**

The Company Secretary or other appropriate senior official shall be the Secretary to the Committee. The Company Secretary shall record, prepare and circulate the minutes of the meetings of the Committee and ensure that the minutes are properly kept and produced for inspection if required.

**END.**