



PRINSIPTEK CORPORATION BERHAD
(Company No. 595000-H)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(Revised as at 24 May 2018)

1. OBJECTIVES OF THE COMMITTEE

1.1 The objective of the Audit Committee (“the Committee”) of Prinsiptek Corporation Berhad (“PCB” or “the Company”) is to establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.

2. COMPOSITION OF THE COMMITTEE

2.1 The members of Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise of at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being independent.

2.2 The Board shall at all the times ensure that at least one (1) member of the Audit Committee:

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

2.3 Where the members for any reason are reduced to less than three (3), that Board shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

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

2.5 A former key audit partner of the Company's who is in a position to exert significant influence over the audit and preparation of the Company's financial statements shall be prohibited from acting as a member of the Committee for a period of two (2) years commencing on the date his or her ceasing:

- i) to be a partner of the firm; or
- ii) to have any financial interest in the firm.

whichever is later.

2.6 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 the members have carried out their duties in accordance with their terms of reference.

3. CHAIRMAN OF THE COMMITTEE

3.1 The Chairman of the Audit Committee shall be elected among the members of the Audit Committee and shall be an Independent Director and not Chairman of the Board.

3.2 The Chairman of the Committee shall chair the Committee meetings and in his absence, a member of the Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Non-Executive Director.

4. SECRETARY OF THE COMMITTEE

a) The Company Secretary and/or his or her representative shall be the Secretary of the Committee.

b) The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee. The Agenda shall be sent to all members of the Committee at least five (5) working days before each meeting together with the relevant papers.

c) The Secretary shall promptly prepare the written minutes of the meeting and distribute it to each member. The minutes of the Committee meeting shall be confirmed and signed by the Chairman of the meeting at the next meeting.

- d) The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custody of the Company Secretary. The minutes shall be available for inspection by members of the Board, external auditors, internal auditors, and other persons deemed appropriate by the Company Secretary.

5. MEETINGS OF THE COMMITTEE

- a) The Committee shall meet at least five (5) times in a financial year, although additional meetings may be called at any time at the Committee Chairman's discretion.
- b) The Chairman, or the Secretary of the Committee on the request of any member, the Head of Internal Audit or the External Auditors, shall at any time summon a meeting of the Committee by giving reasonable notice.
- c) No business shall be transacted at any meeting of the committee unless a quorum is present. Two (2) Members of the Committee shall be constitute a quorum, of which at least one (1) shall be an Independent Non-Executive Director.
- d) Any decision arising at the meeting shall be decided by a majority of votes, each Member having one vote and a determination by a majority of Member shall for all purposes be deemed a determination of the Members. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote.
- e) All recommendations of the Committee shall be submitted to the Board for approval.
- f) The Audit Committee may, as and when deemed necessary, invite other Board members, senior management personnel, a representative of the external auditors and external independent professional advisers to attend the meetings.
- g) The Audit Committee may, as and when deemed necessary meet with the external auditors and/or internal auditors without the presence of executive board members' and employees of the Company.

6. CIRCULAR RESOLUTION

A resolution in writing, signed by a majority of the Committee members being entitled to receive notice of a meeting of the Committee, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

7. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

7.1 The Audit Committee shall undertake, amongst others, the following duties and responsibilities:

7.1.1 Financial Reporting

To review the quarterly and annual financial statements of the Group prepared by the management, where necessary, together with the external auditor, focusing particularly on:

- a) any significant changes to accounting policies and practices;
- b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;
- c) significant adjustments arising from the audit;
- d) going concern assumption; and
- e) compliance with accounting standards and other legal requirements.

7.1.2 Risk Management and Internal Control

- a) To monitor the adequacy and effectiveness of the risk management and internal control framework adopted within the Group and to be satisfied that the methodology employed allows identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to mitigate losses and maximise opportunities; and
- b) To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;

7.1.3 Internal Audit

- a) To review the effectiveness of internal audit function, including the ability, competency and qualification of the internal audit team and/or outsourced internal auditors (if any) to perform its duties;

- b) To review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;
- c) To review and approve the internal audit plan and the internal audit report and, where necessary, ensure that appropriate actions are taken on the recommendations made by the internal audit function;
- d) To receive and review on a regular basis the reports, findings and recommendations of the internal audit team and/or outsourced internal auditors and to ensure that appropriate actions have been taken to implement the audit recommendations;
- e) To ensure the internal audit team and/or outsourced internal auditors has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties;
- f) To review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or the outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party; and
- g) To request and review any special audit which the Committee deems necessary.

7.1.4 **External Audit**

- a) To review the external auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the external auditors;
- b) To review the annual performance assessment, including the suitability and independence of the external auditors and make recommendations to the Board on the appointment or reappointment of the external auditors;
- c) In assess or determine the suitability and independence of the external auditors, the Audit Committee shall take into consideration of the following :
 - i. the adequacy of the experience and resources of the external auditors;

- ii. the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - iii. the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee; and
 - iv. whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditor.
- d) To review any matters arising concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the external auditors;
- e) To review the external auditor's audit report, audit findings, audit recommendations and management letter and management's response to the management letter;
- f) To be advised of significant use of the external auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised; and
- g) To review with the external auditors for the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report.

7.1.5 Related Party Transactions

To monitor and review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of the Management's integrity.

7.1.6 Audit Committee Reports

To prepare the annual Audit Committee report to the Board which includes the composition of the Audit Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of internal audit services and summary of the activities for inclusion in the Annual Report and to review the Board's

statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report.

7.1.7 Other Matters

- a) To verify the allocation of options pursuant to the Share Issuance Scheme or the allocation of shares pursuant to any incentive plan for employees of the Group at the end of each financial years as being in compliance with the criteria which is disclosed to the employees and make a statement in the Annual Report that such allocation has been verified; and
- b) To carry out any other function that may be mutually agreed upon by the Audit Committee and the Board.

8. AUTHORITY OF THE COMMITTEE

8.1 The Committee shall have:

- a) Authority to investigate into any activities within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate on any request made by the Committee.
- b) The authority to obtain outside legal or other independent professional advice and to secure the attendance of outside parties with relevant experience and expertise, if it considers this necessary.
- c) Direct communication channels with both external and internal auditors.
- d) The authority to convene meetings with external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary.
- e) Full and unrestricted access to the Company's records, properties and personnel.
- f) The resources which are required to perform its duties.

9. DISCLOSURE

The Committee shall assist the Board in making certain disclosures concerning the activities of the Committee such as the Corporate Governance Report in the Annual Report in accordance with the Listing Requirements.

10. REVISION OF THE TERMS OF REFERENCE

- b) Any revision or amendment to the Terms of Reference, as proposed by the Committee shall be first be presented to the Board for its approval.
- c) Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.