

**PRINSIPTEK CORPORATION BERHAD**  
**(Company No. 595000-H)**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**  
**(Revised as at 11 March 2013)**

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**INTEPRETATION**

- (a) "The Company" means PRINSIPTEK CORPORATION BERHAD (Company No. 595000-H).
- (b) "Director(s)" means a director(s) for the time being of the Company.
- (c) "The Board" means the Board of Directors of the Company.
- (d) "The Group" means the Company and its subsidiary companies.
- (e) "Group Company" means any company within the Group.
- (f) "The AC" means the Committee of Directors established by the Board as the Company's Audit Committee.
- (g) "Member(s)" means a Director(s) appointed for the time being by the Board to perform the duties of a member of the AC.
- (h) "Secretary(ies)" means an officer(s) appointed for the time being by the Board to perform the duties of a secretary of the AC.
- (i) "Sub-AC(s)" means a sub-committee(s) established by the AC as its sub-committee(s).
- (j) "External Auditors" means the person or firm appointed for the time being by the Company as the independent auditors of the Company.
- (k) "Internal Auditors" means the person(s) employed or engaged by the Company to perform the duties of internal auditing for the Company.
- (l) "Management" means a person or group of persons for the time being employed by the Company or Group Company (including any executive Director of the Company or Group Company) to manage the day to day business and affairs of the Company or Group Company, as the case may be.

**1. OBJECTIVES**

- 1.1 To provide additional assurance to the Board by giving objective and independent review of the Group's financial, operational and administrative controls and procedures.
- 1.2 To assist the Board in establishing and maintaining internal controls for areas of risks as well as safeguarding of assets within the Group.
- 1.3 To assess and supervise the quality of audits conducted by the Internal Auditors and External Auditors.

- 1.4 To reinforce the independence of the External Auditors and to assure that the External Auditors will have free rein in the audit process.
- 1.5 To provide a forum for regular, informal and private discussion between the Audit Committee and External Auditors.
- 1.6 To reinforce the objectivity of the Internal Auditors.

## **2. MEMBERSHIP**

- 2.1 The AC shall be appointed by the Board pursuant to a Board Resolution.
- 2.2 It shall comprise at least three (3) Members. All members of the AC shall be non-executive Directors, with a majority of them being independent Directors.
- 2.3 The Chairman of the AC shall be appointed by the Board, or failing which, amongst the Members of the AC themselves.
- 2.4 If the number of the Members is reduced to below three (3) as a result of resignation or death of a Member, or for any other reason(s) a Member ceases to be a Member of the AC, the Board shall, within three (3) months of that event, appoint amongst such other non-executive Directors, a new Member to make-up the minimum number required herein.
- 2.5 At least one (1) Member of the AC:
  - 2.5.1 must be a member of the Malaysian Institute of Accountants (“MIA”); or
  - 2.5.2 if he/she is not a member of MIA, he/ she must have at least three (3) years of working experience; and:
    - (a) he/she must have passed the examination specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
    - (b) he/she must be a member of one (1) of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
  - 2.5.3 must possess such qualifications as may from time to time be prescribed by Bursa Malaysia Securities Berhad.
- 2.6 An alternate Director is not eligible for membership in the AC.

## **3. AUTHORITY**

- 3.1 The AC is authorised by the Board to investigate any activity within its Terms of Reference.
- 3.2 It shall have unlimited access to both the Internal Auditors and External Auditors as well as all employees of the Group.
- 3.3 It shall also have the authority to obtain independent legal or other professional advice and to secure attendance of other professionals with relevant experience and expertise if it considers this necessary.

3.4 It shall also have the power to establish Sub-AC(s) and delegate its powers to such Sub-AC(s) for the purpose of carrying out certain investigations on its behalf in such manner as the AC deems fit and necessary and, to appoint such officers within the Group as members of the Sub-AC(s).

#### **4. KEY FUNCTIONS AND RESPONSIBILITIES**

4.1 To review with both the Internal Auditors and External Auditors their audit plans and reports.

4.2 To review the scope of the internal audit programme and procedures, consider the results of internal audit investigations and assess the Management's responses and actions to rectify any reported shortcoming.

4.3 To discuss with the External Auditors before the audit commences, the nature and scope of their audit and ensure co-ordination where more than one audit firm is involved.

4.4 To discuss problems and reservations arising from the interim and final audits, and any other matter the External Auditors may wish to discuss in the absence of the Management, where necessary.

4.5 To review the External Auditors' management letter and the Management's response.

4.6 To assess the suitability and independence of External Auditors.

4.7 To review the Group's quarterly and annual consolidated financial statements and thereafter to submit them to the Board, focusing particularly on any changes in accounting policies and practices; significant adjustments arising from audit; the going concern assumption; compliance with accounting standards and other legal requirements.

4.8 To evaluate the adequacy and effectiveness of the internal control systems as well as the administrative, operating and accounting policies employed.

4.9 To review any related party transactions that may arise within the Company or Group.

4.10 To nominate a person or persons as the External Auditors. To consider the audit fee and any question of resignation or dismissal of the External Auditors.

4.11 To consider and decide all matters concerning the appointment or dismissal of the Internal Auditors.

4.12 To take cognizance of resignation of members of the Company's internal audit function and provide the resigning member an opportunity to submit his/her reasons for resigning.

4.13 To monitor and review the effectiveness of the Internal Auditors and External Auditors.

4.14 To review any appraisal or assessment of the performance of members of the Company's internal audit function.

4.15 To review the assistance given by the officers and employees of the Group to the Internal Auditors and External Auditors.

4.16 To review reports and consider recommendations of the Sub-AC(s), if any.

- 4.17 To identify and direct any special projects or investigations it deems necessary.
- 4.18 To carry out such other functions and consider other topics as may be agreed upon from time to time with the Board.

## **5. MEETINGS**

- 5.1 The AC shall hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the AC so decides to fulfill its duties.
- 5.2 A quorum shall consist of two (2) Members. The majority of Members present must be independent non-executive Directors.
- 5.3 Notice of not less than three (3) working days shall be given for the calling of any meeting to those entitled and required to be present.
- 5.4 Matters raised and tabled at all meetings shall be decided by a majority of votes of the Members.
- 5.5 A resolution in writing, signed by all the Members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the AC.
- 5.6 Proceedings of all meetings held and resolutions passed as referred to in Clause 5.5 above shall be recorded by the Secretary and kept at the Company's registered office.
- 5.7 Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the AC and the reports submitted thereat.
- 5.8 The External Auditors shall have the right to appear and be heard at any meeting and shall appear before the AC when so required by the AC.
- 5.9 Upon the request of the External Auditors, the Chairman shall convene a meeting to consider any matters the External Auditors believe should be brought to the attention of the Directors or shareholders of the Company.
- 5.10 The executive Directors of the Group Company, representatives of the Internal Auditors, the Management and any employees of the Group, as the case requires, may be requested to attend such meetings.
- 5.11 The AC shall meet with the External Auditors at least twice in a financial year without the presence of the executive board members of the Company.

## **6. COMPLIANCE**

- 6.1 The provisions of Articles 119, 120 and 121 of the Company's Articles of Association except as otherwise expressly provided in these Terms of Reference shall apply to the AC.