

**TEKALA CORPORATION BERHAD**  
**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The terms of reference of the Audit Committee are as follows:

**CONSTITUTION**

1. A committee of the Board known as the Audit Committee is hereby established in accordance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

**MEMBERSHIP**

2. The committee shall consist of not less than three members, all must be non-executive directors, of which the majority shall be made up of Independent Non-Executive Directors with at least one member of the Audit Committee who must be a member of the Malaysian Institute of Accountants (MIA).

No member of the Committee shall be

- a spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
  - spouse of brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
  - any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee.
3. The members of the Audit Committee shall elect a chairman from among their members who shall be an Independent Non-Executive Director.
  4. If a member of the Committee resigns, dies, or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.
  5. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three years to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

**RIGHTS**

6. In accordance with procedures to be determined by the Board and at the cost of the Company, the Audit Committee shall
  - (a) have 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 or activity;
  - (e) be able to obtain independent professional or other advice; and
  - (f) 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, whenever deemed necessary.

## **REPORTING OF BREACHES TO THE BURSA MALAYSIA SECURITIES BERHAD**

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

## **FUNCTIONS**

8. The Audit Committee shall, amongst others, discharge the following functions:-
  - (1) review the following and report the same to the Board:-
    - (a) with the external auditors, the audit plan;
    - (b) with the external auditors, his evaluation of the system of internal controls;
    - (c) with the external auditors, his audit report;
    - (d) the assistance given by the employees of the Company to the external auditors;
    - (e) 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;
    - (f) 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;
    - (g) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:-
      - (i) charges in or implementation of major accounting policy changes;
      - (ii) significant matters highlighted including financial reporting issues, significant judgments 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;
    - (h) any related party transaction 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;
    - (i) any letter of resignation from the external auditors of the Company; and
    - (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and
  - (2) recommend the nomination of a person or persons as external auditors.

## **ATTENDANCE AT MEETINGS**

9. The quorum for meetings of the Audit Committee shall be at least two where the majority of members present must be Independent Non-Executive Directors.
10. Other Board members and employees shall attend Audit Committee meetings only at the invitation of the Committee. However, at least once a year, the Committee shall meet with the external auditors.
11. The Company Secretaries shall be the Secretaries of the Committee.

## **PROCEEDINGS AT MEETINGS**

12. If at any meeting the Chairman is not present within 10 minutes after the time appointed for holding the meeting, or is unwilling to act, the Members present may choose one of their members who is an Independent Non-Executive Director to be Chairman of the meeting.
13. Save as is otherwise provided, the Committee shall meet, adjourn or otherwise regulate its meetings and proceedings as it thinks fit. Questions arising at any meeting shall be agreed to by all the members present at the meeting. In the event of there being no unanimous decision, the matter concerned shall be referred to the Board of Directors.

14. A resolution signed by all members of the Audit Committee for the time being present in Malaysia shall be as effective as a resolution passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in the same form and each signed by one or more members of the Audit Committee.

#### **FREQUENCY OF MEETINGS**

15. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

#### **REPORTING PROCEDURES**

16. The Secretaries shall circulate the minutes of meetings of the Committee to all members of the Board.