

FIAMMA HOLDINGS BERHAD
(Company No. 88716-W)

Terms of Reference for Audit Committee

1. Introduction

The Audit Committee of Fiamma Holdings Berhad (“FHB” or the “Company”) was formed by the Board of Directors of the Company. Its primary function, is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:

- Oversee and appraise the quality of the audits conducted both by the Company’s internal and external auditors;
- Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- Determine the adequacy of the Group’s administrative, operating and accounting controls.

2. Composition

The Audit Committee shall be appointed by and from the Board of Directors (pursuant to a resolution of the Board of Directors) and must fulfil the following requirements:

- 2.1. the Audit Committee must consist of no fewer than 3 members;
- 2.2. all members of the Audit Committee must be non-executive directors, with a majority of them being independent directors;
- 2.3. all members of the Audit Committee should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules;
- 2.4 at least one member of the Audit Committee:-
 - 2.4.1. must be a member of the Malaysian Institute of Accountants; or
 - 2.4.2. if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and:
 - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountant Act 1967; or
 - he 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

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- 2.4.3. must have at least 3 years' post-qualification experience in accounting or finance and either one of the following qualifications:
- a degree/masters/doctorate in accounting or finance; or
 - a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
- 2.4.4. have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
- 2.4.5. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- 2.5. No alternate Director of the Board shall be appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee (including Chairman) resulting in the non-compliance of item 2.1 to 2.4 above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within three (3) months of that event.

For engagement of a former key audit partner as member of the Audit Committee, there is a cooling-off period of at least 2 years before the former audit partner is appointed as member of the Audit Committee.

The Board of Directors must via the Nomination Committee review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with the Terms of Reference.

3. Chairman

The Chairman of the Board shall not be the Chairman of the Audit Committee. The Chairman of the Audit Committee shall be an Independent Non-Executive Director elected among the members of the Audit Committee.

In the absence of the Chairman, the Audit Committee members present shall elect a Chairman for the meeting, who is an independent director from amongst the members present.

4. Secretary

The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the Audit Committee. The Company Secretary or his/her representative or other appropriate senior officer shall be responsible for drawing up the agenda in consultation with the Chairman. The agenda together with the relevant explanatory papers and documents shall be circulated to the Audit Committee members at least 7 days prior to each meeting.

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The secretary or his/her representative or other appropriate senior officer shall be responsible for recording attendance of all members and invitees, keeping the minutes of the meeting of the Audit Committee at the Registered Office of the Company, circulating to Audit Committee members and to other members of the Board of Directors.

5. Quorum

The quorum for a meeting shall be at least 2 Independent Directors.

6. Meetings

Meetings shall be held at least four (4) times in each financial year. More meetings may be conducted if the need arises. The Audit Committee meetings shall be governed by the provisions of the Company's Constitution relating to the Board meetings unless otherwise provided for in this Terms of Reference. The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.

Meetings between the Audit Committee with the external auditors (and internal auditors) without executive Board members and management present should be encouraged to foster open exchange of views and opinions.

In addition, the Chairman may call a meeting of the Audit Committee at the request of any committee member, the Company's Group Managing Director/Chief Executive Officer ("GMD/CEO"), or the internal or external auditors.

The Audit Committee may invite the GMD/CEO and/or other Directors and/or other appropriate officer(s) and/or consultant to attend the Audit Committee meetings, where their presence are considered appropriate as determined by the Chairman of the Audit Committee.

The Audit Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

The Audit Committee may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by 1 or more Audit Committee members. Any such document, may be accepted as sufficiently signed by an Audit Committee member if transmitted to the Company by facsimile or other electrical or digital written message purporting to include a signature of an Audit Committee member.

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7. Functions

The functions of the Audit Committee are as follows:-

Related Party Transactions

- 7.1 To review and report to the Board on any related party transaction (including recurrent related party transactions) and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 7.2 To ensure the related party transactions carried out are amongst others, in the best interest of the Group as well as not detrimental to the majority shareholders.
- 7.3 To ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.
- 7.4 To evaluate, supervise and monitor any conflict of interest or potential conflict of interest situation that may arise.

External Auditors

- 7.5. To review the following and report the same to the Board of Directors:-
 - 7.5.1. with the external auditors, the audit plan;
 - 7.5.2. with the external auditors, his evaluation of the system of internal controls;
 - 7.5.3. with the external auditor, his audit report; and
 - 7.5.4. the assistance given by the Company's employees to the external auditors.
- 7.6. To recommend the appointment/ re-appointment of the external auditors, to review the audit fee and its engagement terms and conditions, to deal with any questions of resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors, if applicable, and report the same to the Board.

In considering the appointment/ re-appointment of the external auditors, to consider among others:-

- (i) the adequacy of the experience and resources of the accounting firm;
- (ii) the persons assigned to the audit;
- (iii) the accounting firm's audit engagements;
- (iv) the size and complexity of the listed issuer's group being audited; and
- (v) the number and experience of supervisory and professional staff assigned to the particular audit;

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The Audit Committee is to also consider the performance of the external auditor and its independence as below:-

- (i) 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;
 - (ii) the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - (iii) 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 auditors; and
 - (iv) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee.
- 7.7. To discuss with the external auditors before the audit commences, the nature, scope and plan of the audit, and ensure co-ordination where more than one audit firm is involved in the audit;
- 7.8. To discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of Executive Directors and management, where necessary);
- 7.9. To discuss the contracts and nature for the provision of non-audit services which can be entered into by FHB and its group of subsidiaries with the external auditors or its affiliates and procedures that must be followed. The contracts cannot be entered into should include:-
- Management consulting;
 - Strategic decision; Internal Audit;
 - Policy and standard operating procedures documentation
- In the event that the non-audit fees paid to the Group's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (eg. constitute 50% of the total amount of audit fees paid to the Group's external auditors) the Company is required to state the details on the nature of non-audit services rendered in the Audit Committee Report. To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time
- 7.10. To review the external auditor's management letter and management's response.
- 7.11. To review whether there is reason, supported by ground, to believe that the external auditors are not suitable for re-appointment.

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Financial Reporting and Compliance

7.12. To review the quarterly results and year-end financial statements of the Group before the approval by the Board of Directors, focusing particularly on:-

- changes in or implementation of major accounting policy changes;
- significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed;
- the going concern assumption;
- integrity of financial statements; and
- compliance with accounting standards and other legal requirements.

7.13. To ensure the competency of the accounting staff and adequacy of the resources and infrastructure of the finance function.

Risk Management and Internal Control

7.14. To review the adequacy and effectiveness of the Group's risk management and internal control framework and assess the resources and knowledge of the management and employees involved in the risk management process.

7.15. To review the Group's risk profile and risk tolerance and the Group's risk management plans to mitigate business risks as identified from time to time.

7.16. To assess the sound system of internal controls by conducting the following:-

- review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- review the internal audit plan, processes and the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- review any appraisal or assessment of the performance of members of the internal audit function;
- approve any appointment or termination of internal auditors;
- review the effectiveness of the Group's internal audit function and make recommendations necessary for the improvement of the internal audit function;
- to have explicit authority over the resources such as professional advice and full access to information to investigate certain matters or cause to be investigated any activity within its Terms of Reference; and

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- take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff an opportunity to submit his reasons for resigning.
- 7.17. To discuss any matter the internal auditors may wish to discuss (in the absence of Executive Directors and management, where necessary).
- 7.18. To discuss and review the major findings of any internal investigations and the management's response.
- 7.19. To ensure the internal audit function is independent of the activities it audits and the Head of Internal Audit reports directly to the Audit Committee and review their performance on an annual basis. The Head of Internal Audit should be suitably qualified and be responsible for providing assurance to the Audit Committee that the internal controls are operating effectively. The Head of Internal Audit will be responsible for the regular review and/or appraisal of the effectiveness of risk management, internal control and governance processes within the Company.

Others

- 7.20. The Audit Committee must ensure that the Audit Committee Report must be clearly set out in the annual report of Company at the end of each financial year.

The Audit Committee Report must include the following:

- the composition of the Audit Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
 - the number of Audit Committee meetings held during the financial year and details of attendance of each Audit Committee member;
 - a summary of the work of the Audit Committee in the discharge of its functions and duties for that financial year of the Group and how it has met its responsibilities;
 - a summary of the work of the internal audit function.
- 7.21. To report promptly any matters resulting in the breach of the Bursa Securities Main Market Listing Requirements to the Board. Where the Audit Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Audit Committee shall promptly report such matter to Bursa Securities; and
- 7.22. To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time.

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8. Rights of the Audit Committee

The Audit Committee is, authorised by the Board (wherever necessary and reasonable for the Company), and at the cost of the Company to:-

- 8.1. have authority to investigate any matter within its Terms of Reference;
- 8.2. have the resources which are required to perform its duties;
- 8.3. have full and unrestricted access to any information pertaining to the Group;
- 8.4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- 8.5. be able to obtain independent professional or other advice at the expense of the Company; and
- 8.6. be able to convene meetings with external auditors, the persons carrying out the internal audit function or activity or both, excluding the attendance of other Directors and employees of the Group, whenever deemed necessary.

9. General Meeting

The Audit Committee Chairman should attend the general meeting to provide clarification to shareholders on the Audit Committee's activities, particularly on matters pertaining to quarterly results and year-end financial statements.

10. Reporting Responsibilities

The Chairman of the Audit Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Audit Committee shall make whatever recommendation to the Board it deems appropriate or any area within its remit where action or improvement is needed.

11. Periodic Review

This Terms of Reference for Audit Committee was first adopted on 27 November 2012 and will be reviewed at least once every two years or as at when necessary by Audit Committee and these Terms of Reference must be disclosed on the Company's website.

Any revision or amendment to this Terms of Reference, as proposed by the Audit Committee or any third party, shall first be presented to the Board for its approval.

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.

This Terms of Reference was reviewed and approved by the Board of Directors 20 August 2018