

FARLIM GROUP (MALAYSIA) BHD

Audit Committee Term of Reference

1. COMPOSITION

The Audit Committee shall consist of at least three members, and the majority shall be Independent Directors appointed from among the Non-executive and Independent Directors of the Board. No alternate directors shall be appointed as members of the Audit Committee.

The Chairman of the Board shall not be a member of the Committee. The Chairman of the Audit Committee is appointed from among its members.

At least one of the members of the Audit Committee must be an accountant under the provisions of the Bursa Main Market Listing Requirements. All Audit Committee members should be financially literate and able to understand the financial matters and the reporting process under the purview of the Audit Committee.

The appointment of former partners of the Company's external audit firm (including but not limited to those providing advisory services and tax consultancy as well as their affiliates firms) to be a member of the Audit Committee shall be subject to at least a three-year cooling-off period from the date of their exit from the firm.

Vacancy in the Audit Committee shall be filled out within three months.

2. AUTHORITY

The Audit Committee is empowered by the Board and at the cost of the Company to:-

- investigate any matters within its terms of reference;
- have full and unrestricted access to all information about the Company and its subsidiaries ("the Group");
- have direct communication channels with the External and Internal Auditors;
- obtain independent professional advice or assistance in discharging its responsibilities; and
- convene private meetings with the External and Internal Auditors without the presence of other Directors and employees of the Company.

3. FUNCTIONS

The Audit Committee shall discharge its following responsibilities and report to the Board:-

- The Internal Auditors' appointment, termination, scope, functions, competency, adequacy of resources, authority, effectiveness, and audit findings, and the appropriateness of action taken by Management to address the audit findings;

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- Review the quarterly results, annual financial statements and the disclosures, reports, statements and notes presented in the Annual Report of the Company before recommending these statements and annual report for the Board's approval;
- Review any related party transaction 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;
- Review the effectiveness of the Group's internal control systems and procedures;
- Establish a nomination and evaluation policy and procedures on the suitability, objectivity and independence of the External Auditors, and assess their effectiveness, appointment, nature of non-audit services, and the appropriateness of the audit and non-audit fees against this policy;
- Review and obtain assurance from the Management that Group's risk management framework is adequate and effective;
- Ensure that an Audit Committee Report is disclosed in the Annual Report based on the listing disclosure requirements; and
- Consider other issues assigned by the Board of Directors.

When the Audit Committee is of the view that a matter reported by it to the Board has yet to be satisfactorily resolved, resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Malaysia.

4. MEETINGS AND ATTENDANCE

The Audit Committee shall meet at least four times a year.

On the request of any member, the Secretary shall summon a meeting at any time by giving all members seven days' notice in writing. With the consent of the majority of the Members, a meeting may be convened with shorter notice.

Directors, employees, auditors, or others may attend meetings upon the invitation of the Audit Committee.

5. QUORUM

The majority of members who are the Independent Directors present in a meeting shall constitute a quorum.

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6. TRAINING AND DEVELOPMENT

Members should attend continuous professional development programs and keep abreast of the relevant developments in accounting and auditing standards, practices and rules.

7. REVIEW OF TERMS OF REFERENCE

These terms of reference shall be reviewed annually to ensure that they are consistent with the Board's objectives, current regulatory requirements and corporate governance best practices. Amendments to the terms of reference shall be approved with a board resolution.