

**ASIA BRANDS BERHAD**  
(Company No. 22414-V)  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**  
(Updated as at 3 May 2016)

**1. Membership**

The Board shall elect an Audit Committee from amongst themselves (pursuant to a resolution of the Board of Directors), comprising at least three (3) Directors which fulfils the following requirements:

- i) All the members of the Audit Committee must be Non-Executive Directors of the Company (and excluding Alternate Directors) with a majority of them being Independent Directors. An Independent Non-Executive member shall not have any family relationship with an Executive Director of the Company or of any related company or any relationship, which in the opinion of the Board, would interfere with his/her independent judgement.; and
- ii) At least one (1) member of the Audit Committee:
  - a) must be a member of the Malaysian Institute of Accountants; or
  - b) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience and:
    - 1) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - 2) must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967;
  - c) fulfils such other requirements as prescribed or approved by the Exchange.

The Chairman of the Audit Committee shall be elected amongst themselves who shall be an independent non-executive member of the Audit Committee. In the event of any reason that the Chairman of Audit Committee cease to be the Chair, the other members of the Audit Committee shall elect a new Chairman within three (3) months.

Members of the Audit Committee may relinquish their membership in the Audit Committee with prior written notice to the Secretary. In the event of any vacancy in the Audit Committee resulting in the non-compliance of the Bursa Securities, the Board shall fill the vacancy within a period of three (3) months from the date of the vacancy.

**2. Attendance at Meetings**

The majority of members present in order to form a quorum necessary for the transaction of business of the Audit Committee shall be the Independent Non-Executive Directors, and in any case shall not be less than two (2) Independent Non-Executive Directors.

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The Group Chief Executive Officer, Head of Finance, internal auditors, representatives of the external auditors and certain senior management of the Group shall attend the meetings, only at the invitation of the Committee.

The Company Secretary shall be the secretary of the Committee.

**3. Notices of Meetings and Minutes of Proceedings**

The Secretary shall circulate the notice of meeting to the members of the Committee prior to the meeting and shall be responsible for the recording, safekeeping and production of the minutes of proceedings of the Committee.

The Secretary shall produce for inspection such minutes of proceedings of meetings of the Committee upon receiving instructions from the Committee or the Board of Directors of the Company.

The Secretary shall circulate the minutes of the Committee to all members of the Committee.

The Chairman of the Committee shall report on each of the meeting to the Board.

**4. Frequency of Meetings**

The Committee shall meet at least four (4) times during each financial year and hold such additional meetings as the Chairman shall deem necessary in order to fulfill its duties.

**5. Proceedings of Meetings**

In the absence of the Chairman, the Committee shall appoint one (1) of the independent non-executive members to chair that meeting.

Questions arising at any meeting shall be decided by a majority of votes of the members present. Save where two (2) members form a quorum or where only two (2) members are competent to vote on the question in issue, the vote of the Independent Non-Executive Directors shall be the decision of the Committee.

**6. Circular Resolutions**

A resolution in writing signed or approved by letter, telegram, telex or telefax or other electronic/digital means (including but not limited to electronic mail) by all the Audit Committee Members and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a Meeting of the Audit Committee duly called and constituted. All such resolutions shall be described as "Audit Committee Members' Resolutions in Writing" and shall be forwarded or otherwise delivered to the Secretary

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without delay, and shall be recorded by him in the Company's Minutes Book. Any such resolution may consist of several documents in like form, each signed by one (1) or more Audit Committee Members.

## 7. Reporting

The Audit Committee shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

## 8. Authority

The Audit Committee is authorised by the Board:-

- to investigate any matter within its terms of reference, empowered with the authority to seek the necessary resources that it requires to perform its duties.
- to seek and to have full, free and unrestricted access to the Group's records, properties, personnel and other resources, and to seek any information it requires from any employee of the Group or from any other sources pertaining to the affairs of the Company and Group. All employees are directed to cooperate with any request made by the Committee.
- to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- to have direct communication channels with the external auditors and internal auditors of the Group, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

The Committee has no executive powers to implement its recommendations on behalf of the Board but to report its recommendations back to the Board for its consideration and implementation.

Where the 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 of Bursa Malaysia Securities Berhad, the Committee has the responsibility of promptly reporting such matter to Bursa Malaysia Securities Berhad.

## 9. Duties and Functions

The duties and functions of the Committee shall be:

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- a) To perform the following and report the same to the Board:
- i) Review the adequacy and integrity of the internal control system, including system for compliance with applicable laws, regulations, rules, directives and guidelines.
  - ii) To discuss with the external auditors on their audit plan before the commencement of the annual audit and ensure coordination where more than one audit firm is involved.
  - iii) To discuss with the external auditors on their evaluation of the system of internal control and to keep under review the effectiveness of internal control systems, and in particular, review the external auditors' management letter and management's responses as well as to monitor the implementation of the recommendations of the external auditors.
  - iv) To act as an intermediary between management or other employees, and the external auditors.
  - v) To discuss with the external auditors, the problems and reservations arising from the annual audits, including the state of assistance given by employees of the Group to the external auditors, and any matter that the external auditors may wish to discuss (in the absence of management, where necessary).
  - vi) To discuss with the external auditors on their audit report.
  - vii) To review with the internal auditors, the adequacy of the scope, function, competency and resources of the internal audit function and the necessary authority for the internal auditors to carry out their work.
  - viii) To review the internal audit programme and processes, consider major findings of internal audit work, processes or investigations undertaken and to consider management's responses and appropriate actions taken as well as to monitor the implementation of the recommendations of the internal auditors.
  - ix) To review any appraisal or assessment of the performance of members of the internal audit function, including an evaluation of the independence of the internal audit function.
  - x) To review the level of coordination between the internal and external auditors.
  - xi) To review the quarterly results and year-end financial statements, before to the approval by the the Board of Directors, focusing particularly on:-
    - (a) changes in or implementation of major accounting policies changes;

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- (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; and
  - (c) compliance with accounting standards and other legal requirements.
- xii) To review related party transactions and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that may question management integrity, and any other major transactions outside the ordinary course of business of the Group.
  - xiii) To review any letter of resignation from the external auditors and to consider whether there is reason (supported by grounds) to believe that the Group's external auditors is not suitable for re-appointment.
- b) To recommend to the Board, the nomination and appointment of the external auditors, the audit fee, and any other terms of engagement.
  - c) To consider any other related matters, as defined by the Board from time to time.
  - d) To ensure compliance with the requirements of the Securities Commission, Companies Commission of Malaysia and Bursa Malaysia Securities Berhad as well as the requirements of any other regulatory authorities.

**REVIEW OF THE COMPOSITION OF THE AUDIT COMMITTEE**

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually to determine whether the Committee and its members have carried out their duties in accordance with the Terms of Reference.