



LONDON BISCUITS BERHAD (Co No : 72057-H)

(Incorporated in Malaysia)

AUDIT COMMITTEE TERMS OF REFERENCE

A. COMPOSITION

1. The Audit Committee ("AC") is a committee of the Board of Directors.
 2. The AC must be comprised of not fewer than three (3) Members consist exclusively of Non-Executive Directors, of whom a majority of them must be Independent Directors.
 3. At least one Member of the AC : –
 - 3.1 must be a member of the Malaysian Institute of Accountants; or
 - 3.2 If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and –
 - a) he must have passed the examinations specified in part I of the First Schedule of the Accountants Act 1967; or
 - b) he must be a member of one of the associations of accountants specified in part II of the First Schedule of the Accountants Act 1967;
- or
- 3.3 fulfils such other requirements as prescribed or approved by the Exchange.
4. The AC must ensure that no Alternate Director is being appointed as a Member of the Committee.

B. RETIREMENT AND RESIGNATION

1. All the Members shall retire, at least once in every three (3) years. At the end of each financial year, one-third (1/3) of the Committee Members shall retire from office. The Members retiring each year, shall be the Members having served the longest term of office.
2. When the Member ceases to be a Director of the Company, he shall also cease to be a Member of the AC.
3. In the event, if there is a vacancy in the AC, such vacancy must be filled within three (3) months. The Nominating Committee shall review and recommend a suitable person to be appointed thereon and such recommendation shall then be approved by the Board of Directors.



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C. CHAIRMAN

1. The Members shall elect a person amongst themselves who is an Independent Director to be the Chairman of the AC. The Chairman of the Committee shall be approved by the Board of Directors.
2. In the absence of the Chairman, one (1) of the other AC Members shall be elected as the Chairman for the Meeting.

D. SECRETARY

1. The Secretary of the Board of Directors shall be the Secretary of the AC.

E. ATTENDANCE OF OTHER DIRECTORS AND EMPLOYEES

1. The AC shall invite other Directors and Employees of the Company to attend the AC Meetings, as and when necessary.

F. RIGHTS OF THE AC

1. The AC, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company, shall have the authority to carry out the followings : -
 - 1.1. to investigate any matter within its Terms of Reference;
 - 1.2. have the resources which are required to perform its duties;
 - 1.3. have full and unrestricted access to any information pertaining to the Company;
 - 1.4. have direct communication channels with the External Auditors and person(s) carrying out the Internal Audit function or activity;
 - 1.5. be able to obtain independent professional or other advices, as and when necessary; and
 - 1.6. be able to convene meetings with the External Auditors, the person(s) carrying out the Internal Audit function or activity or both, excluding the attendance of other Directors and employees, whenever deemed necessary.



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G. QUORUM

1. The quorum of a Meeting is two (2), the majority of the Members present at such Meeting, must be Independent Directors.

H. PROCEDURE

1. *Calling of Meetings*

- 1.1 The number of Meetings held in a financial year must not be less than four (4) times. Additional Meetings may be called at any time by the Chairman upon the request of any Committee Members, the External Auditors or the Internal Auditors or at the Chairman's discretion.

2. *Notices to be given of Meetings*

- 2.1 Notice of the Meeting shall be given to the Members at least seven (7) days by the Secretary of the NC before the Meeting, either by electronic or manual. Shorter notice may be given if agreed by a majority of the Members.

3. *Proceedings of Meetings and Votings*

- 3.1 The Chairman shall determine the proceedings of the Meetings and its voting process as he or she deems fit.

4. *Keeping of minutes*

- 4.1 The minutes of the Meetings shall be kept in accordance with the rules and regulations of the Malaysian Companies Act.

5. *Custody, production and inspection of minutes of Meetings*

- 5.1 The Chairman shall determine the process of the custody, production and inspection of the minutes of the AC Meetings.

I. FUNCTIONS AND DUTIES

1. The functions and duties of the AC, shall include :-
 - 1.1. Review the followings and reports the same to the Board of Directors :-
 - (a) with the External Auditor, the audit plan;
 - (b) with the External Auditor, the evaluation of the system of internal controls;



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- (c) with the External Auditor, the Audit Report;
- (d) the assistance given by the Employees to the External Auditor;
- (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 annual financial statements, before the approval by the Board of Directors, focusing particularly on -
 - (i) Changes 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 transactions and conflicts of interests' situations that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of the management's integrity;
- (i) any letter of resignation from the External Auditors; and
- (j) whether there is reason (supported by grounds) to believe that the External Auditor is not suitable for re-appointment.

2. Recommend the nomination of a person or persons as External Auditors.

2.1. In recommending an External Auditor, the AC must consider, amongst others –

- (a) the adequacy of the experience and resources of the accounting firm;
- (b) the persons assigned to the audit;
- (c) the accounting firm's audit engagements;
- (d) the size and complexity of the Company's group being audited; and



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- (e) the number and experience of supervisory and professional staff assigned to the particular audit.
- 2.2. In removal or resignation of External Auditors -
- (a) Where the External Auditors are removed from office or give notice to the Company of their desire to resign as External Auditors, the AC must forward to the Exchange, a copy of any written representations or written explanations of the resignation made by the External Auditors at the same time as copies of such representations or explanations are submitted to the Companies Commission of Malaysia pursuant to Section 172A of the Companies Act, 1965.
- 2.3. Review of statements by the External Auditors -
- (a) Ensure that the External Auditors review a Statement made by the Board of Directors with regards to the state of risk management and internal control and report the results thereof to the Board of Directors.
- 2.4. Ensure Corporate Governance disclosure in the additional statements by the Board of Directors
- (a) AC must ensure that the Board of Directors makes the following additional statements in its Annual Report :-
 - (i) A Statement explaining the Board of Directors' responsibility in preparing the Annual Audited Financial Statements; and
 - (ii) A Statement about the state of risk management and internal control of the Company as a group.
- 2.5 Right to request for Meeting
- (a) Upon the request of the External Auditor, the Chairman of the AC must convene a meeting of the Committee to consider any matter which the External Auditor believes, should be brought to the attention of the Board of Directors or Shareholders.
3. Establish an Internal Audit function which is independent of the activities it audits and must ensure that Internal Audit function reports directly to the AC.



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4. Reporting of breaches to the Exchange

- 4.1 Where the AC is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the AC must promptly report such matter to the Exchange.

J. AUDIT COMMITTEE REPORT

1. An AC Report shall be prepared at the end of each financial year that complies with the subparagraphs (2) and (3) below.
2. The AC Report must be clearly set out in the Annual Report of the Company.
3. The AC Report must include the followings:
 - 3.1 the composition of the AC, including name, designation and indicating whether the Directors are independent or otherwise;
 - 3.2 the number of AC Meetings held during the financial year and details of attendance of each AC Member;
 - 3.3 A summary of the activities by the AC in the discharge of its functions and duties for that financial year under review; and
 - 3.4 A summary of the activities of the Internal Audit function.

K. REVIEW OF THE AC

1. The term of office and performance of Members must be reviewed annually by the Nominating Committee to determine whether the AC and its Members have carried out their duties in accordance with the Terms of Reference. In the event, if it relates to the AC Members himself, the AC Member shall be abstained from deliberation.

L. TERMS OF REFERENCE

1. The AC must ensure that the AC's Terms of Reference be made available on the Company's website.

(Last reviewed on 26 August 2016)