

FITTEES DIVERSIFIED BERHAD
(Company No. 149735-M)

AUDIT COMMITTEE

REVISED TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are set out as follows:

1. OBJECTIVES

The objective of the Audit Committee 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:

- (a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
- (b) 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
- (c) Determine the adequacy of the Group's administrative, operating and accounting controls.

2. COMPOSITION

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- (a) the Audit Committee must be composed of not fewer than 3 members;
- (b) all members of the Audit Committee must be non-executive directors;
- (c) majority of the Audit Committee must be independent directors;
- (d) all members of the Audit Committee should be financially literate and at least one member of the Audit Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or

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- (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants 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.
- (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.
- (e) All members of the Committee shall be financially literate and are able to understand matters under the purview of the committee including the financial reporting process. All members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- (f) The Chairman of the Audit Committee must be independent and is not the Chairman of the Board.
- (f) No alternate director of the Board shall be appointed as a member of the Audit Committee.
- (g) A former key audit partner is required to observe a cooling-off period of at least two years before being appointed as a member of Audit Committee.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee (including Chairman) resulting in the non-compliance of item 2(a) to (d) above, the Board of Directors shall upon the recommendation of the Nominating Committee fill the vacancy within three (3) months of that event.

The Board of Directors must via Nominating 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 its Terms of Reference.

3. AUTHORITY

The Audit Committee shall, whenever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

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- (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 and Group;
- (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 persons carrying out the internal audit function or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Chairman of the Audit Committee should engage on a continuous basis with senior management, such as the Chairman, the Managing Director, the Chief Financial Officer, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company.

4. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee are as follows:

(a) Financial Review

- To review the quarterly and year-end financial statements of the Company, prior to recommendation to the Board of Directors on their release and adoption, focusing particularly on:
 - any changes in or implementation of major accounting policies and practices;
 - 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; and
 - compliance with accounting standards and other legal requirements.

(b) External Audit

- To review the following areas with external auditors and report the same to the Board of Directors:
 - the audit plan;
 - their evaluation of the system of internal controls;
 - their Audit Report; and
 - the assistance given by the Company's employees to the external auditors.

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- To nominate and recommend the appointment/re-appointment of the external auditors, to consider the adequacy of experience, resources, audit fee and any issues regarding 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 of Directors. 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 Group being audited; and
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit.

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

- (i) the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - (ii) the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee;
 - (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;
 - (iv) the competence, audit quality and resource capacity of the external auditor in relation to the audit; and
 - (v) obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- To discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed. The contracts that cannot be entered into should include:
 - (i) Management consulting;
 - (ii) Strategic decision;
 - (iii) Internal audit;
 - (vi) Policy and standard operating procedures documentation.

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- In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company'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 discuss with the external auditors before the audit commences, the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
- To review with the external auditors the Statement on Risk Management and Internal Control for inclusion in the Annual Report;
- To discuss problems and reservations arising from the interim and final audits, and any matters the external and internal auditors may wish to discuss (in the absence of management and Executive Board Members, where necessary);
- To review the external auditors' management letter and management's response; and
- To review whether there is reason, supported by ground, to believe that the external auditors are not suitable for re-appointment.

(c) Internal Audit

- To review the internal audit plan in order to ensure that auditable areas are adequately covered with risk based approach being adopted;
- To review the internal audit reports (which include follow-up review of previous findings) and to ensure that appropriate actions are taken on the internal auditors' recommendations;
- To perform the following review, in relation to the internal audit function:
 - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - Review the internal audit programme, processes, the results of the internal audit programme and process;
 - Review any appraisal of the performance of members of the internal audit function;
 - Approve any appointment or termination of the internal auditors;
 - Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

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- Investigate or cause to be investigated any activity within its Terms of Reference; and
- To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.
- To discuss and review the major findings of any internal investigations and the management's response;
- 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. The head of internal audit should have the relevant qualifications 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 the risk management, internal control, and governance processes within the Company.

(d) Related Party Transactions

- To review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions on management's integrity and the framework established/ to be established.

(e) Other Matters

- To review the effectiveness of management information and other systems of control within the Company;
- To verify the allocation of options as being in compliance with the criteria pursuant to the Long Term Incentive Plan, at the end of each financial year (if any);
- To perform such other functions as may be agreed by the Audit Committee and the Board of Directors; and
- To consider other areas as may be prescribed by Bursa Malaysia Securities Berhad or any other relevant authority from time to time.

5. MEETINGS

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least twice a year the Audit Committee shall meet with the external auditors without executive Board Members and management presence.

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In addition, the Chairman of Audit Committee may call a meeting of the Audit Committee at the request of any committee member, the Company's Managing Director, or the internal or external auditors.

The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman of Audit Committee, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Company Secretary or his/her representative or other appropriate senior officer shall also be in attendance at each Audit Committee meeting and responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to other members of the Board of Directors.

The quorum for a meeting shall be two (2) members of the Audit Committee who are both independent directors.

By invitation of the Audit Committee, the Managing Director, the Executive Director and other appropriate officer(s) may be invited to attend the Audit Committee, where their presence are considered appropriate as determined by the Audit Committee Chairman.

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 one or more members of Audit Committee.

6. ANNUAL GENERAL MEETING

The Chairman of the Audit Committee or in his absence, another Audit Committee member should attend the annual general meeting to answer any shareholder questions on the Audit Committee's activities.

7. REVISION OF THE TERMS OF REFERENCE

- 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 of Directors for its approval.
- Upon the Board of Directors' 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.

Date: 28 February 2018