



COMFORT GLOVES BERHAD
Registration No. 193701000006 (852-D)

Appendix A

(Incorporated in Malaysia)

AUDIT COMMITTEE – TERMS OF REFERENCE

1. Objectives

- 1.1 The Audit Committee shall be established by the Board of Directors (“Board”) and shall assist the Board in:
- (a) complying with specified accounting standards and required disclosure as administered by Bursa Malaysia Securities Berhad (“**Bursa Securities**”), relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
 - (b) overseeing a formal and transparent arrangement as well as appraising the quality of the audits conducted both by the Company’s internal and external auditors;
 - (c) maintaining open lines of communication between the Board, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
 - (d) maintaining a sound system of internal controls covering administrative, operating and accounting and risk management to safeguard shareholders’ investment and the Group’s assets;
 - (e) overseeing the Group’s compliance with applicable laws, rules and regulations and has in place an appropriate code of business conduct;
 - (f) overseeing financial reporting; and
 - (g) investigating any concerns received on possible irregularities within the Comfort Group.

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2. Composition

2.1 The Audit Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:

- (a) the audit committee must be composed of no fewer than three (3) members;
- (b) all the audit committee members must be non- executive directors, with a majority of them being independent directors; and
- (c) At least one (1) member must fulfil the following criteria:
 - (1) a member of the Malaysian Institute of Accountants (“**MIA**”); or
 - (2) if the director is not a member of the MIA, he must have:
 - (a) at least three (3) years working experience and
 - (i) the director must have passed the examination specified in Part I of the 1st Schedule to the Accountants Act, 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act 1967; or
 - (b) at least three (3) years post-qualification working experience in accounting or finance and
 - (i) a degree/masters/doctorate in accounting or finance; or
 - (iii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
 - (c) 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
 - (d) fulfils such other requirements as may be prescribed or approved by Bursa Securities from time to time.

The definition of “independent directors” shall have the meaning given in Chapter 1.01 of the Listing Requirements of Bursa Securities.

2.2 No alternate director shall be appointed as a member of the Audit Committee.

2.3 The members of the Audit Committee shall select a Chairman from among their members who shall be an independent director.

2.4 The Chairman of the Audit Committee shall be an independent non-executive director. The Chairman of the Audit Committee shall not be the Chairman of the Board. In the absence of the Chairman of the Audit Committee, the members present shall elect one of their number to chair the meeting.

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- 2.5 If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 2.6 The terms of office and performance of the Committee and its members shall be reviewed by the Nominating Committee annually to determine whether the Audit Committee and each of its members have carried out their duties in accordance with their terms of reference.
- 2.7 All members of the AC, including the Chairman of the Committee, will hold office only so long as they serve as Directors of the Company.
- 2.8 A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc) of the Company is to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.
- 2.9 All members of AC should be financially literate and are able to understand matters under the purview of the AC including the financial reporting process.
- 2.10 The AC members shall and collectively:
- (a) have sufficient understanding and knowledge of the Group's business and industry which the Group operates; and
 - (b) have the ability to understand key business and financial risks and related controls and control processes.

3. Meeting and Minutes

- 3.1 Meetings are scheduled at least four (4) times during the financial year. The Audit Committee shall meet with the External Auditors without the attendance of other directors and employees of the Company at least twice a year.
- 3.2 Other Board members may attend meetings upon invitation by the Audit Committee and will normally be attended by the Internal Auditor and upon invitation, the External or Internal Audit Consultants.
- 3.3 The Committee will conduct all its meetings separately from Board meetings.
- 3.4 The Chairman of the Audit Committee shall report key matters discussed at each meeting to the Board.
- 3.5 In order to form a quorum (subject to a minimum of two (2)) for the meeting, the majority of the members present must be independent non-executive directors. In the absence of the Chairman of the Committee, the members present shall elect an acting Chairman from amongst them present.

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- 3.6 Unless the meeting is called on a short notice basis, the Secretary, in conjunction with the Chairman of the Committee, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least five (5) working days prior to each meeting to the members of the Committee.
- 3.7 The Committee shall meet with the external auditors without the presence of executive Board members and management, at least **twice** a year as well as when required. In addition, the Management, the internal auditors and external auditors may request a private session with the Committee to discuss any matter of concern.
- 3.8 The company secretary or his/her representative shall be in attendance at each AC meeting and record the proceedings of the meeting thereat.
- 3.9 The Committee shall record its conclusion on issues discussed during meetings and report to the Board at the quarterly Board meetings. The minutes shall be circulated to members of the Board and duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee.
- 3.10 The 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.
- 3.11 The Chairman of the Committee should attend the Annual General Meeting to answer any shareholders' questions on the Committee's activities.

4. Voting

- 4.1 In appropriate circumstances, the AC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by a majority of 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 and forwarded or otherwise delivered to and shall be recorded by the company secretary.
- 4.2 Matters for decisions that arise at the Committee meeting will be decided by a majority vote. If the votes are equal, the Chairman of the meeting has a second casting vote. However, the Chairman will not have a second casting vote where only 2 Directors form the quorum or at which only 2 Directors are competent to vote on the question at issue.
- 4.3 An Audit Committee member is required to abstain from discussions, deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation for the AC member.

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5. Secretary

- 5.1 The company secretary shall be the Secretary of the Committee or any other person as the AC may decide.
- 5.2 The Secretary shall organize and provide assistance at AC meetings and have the following key responsibilities:
- (a) ensure meetings are arranged and held accordingly.
 - (b) assist the Chairman of the Committee in planning the AC's activities.
 - (c) draw up meeting agendas in consultation with the Chairman of the Committee and maintain the minutes and draft its scheduled activities for the financial year.
 - (d) ensure structured communication channels between the Board and the AC.
 - (e) ensure proceedings of meetings are recorded and the minutes circulated in a timely manner and reviewed by the AC before disseminating them to the Board.
 - (f) ensure AC recommendations presented to the Board are supported by papers that explain the rationale for the AC's recommendations.

6. Authority

- 6.1 The Audit Committee shall have the following authority as empowered by the Board of Directors:
- To investigate any matters within its terms of reference;
 - To have the resources which are required to perform its duties;
 - To have full and unrestricted access to any information, records, properties and personnel of the Group;
 - To have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
 - To be able to obtain independent professional or any other advice, and
 - To be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

7. Functions & Responsibilities

7.1 Financial Reporting

To review the Group's quarterly, half-yearly and annual financial statements before submission to the Board, focusing particularly on:

- Any changes in/or implementation of major changes accounting policies changes;
- Significant matters highlighted including financial reporting issues, major judgmental areas made by management, significant and unusual events or transactions and how the matters are addressed;
- Significant adjustments resulting from the audit;
- The going concern assumptions;

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- Compliance with accounting standards, and
- Compliance with regulatory requirements.

7.2 External Auditors

- i) To review the following and report the same to the Board for deliberation and approval or decision:
 - a) audit plan, which comprised audit and non-audit services;
 - b) results of audit report;
 - c) any significant audit findings, reservations, difficulties encountered or material weaknesses reported;
 - d) keep under review the effectiveness of internal control systems and in particular review the External Auditor's management letter and the management's response, if applicable;
 - e) annual audited financial statement of the Group to ensure compliance with the Companies Act, 2016, Main Market Listing Requirements, applicable accounting standards and other legal and regulatory requirements.
- ii) To discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditors may wish to discuss (in the absence of management, where necessary);
- iii) For good corporate governance purposes, the Company is not allowed to appoint former partners of the present or former external audit firm before being appointed as a member of the Audit Committee within a three (3) years cooling period upon their last audit engagement with the Company.
- iv) To approve non-audit services before they are rendered by the external auditor and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees. The Audit Committee should avoid situations where the audit firm inadvertently assumes the responsibilities of management in the course of providing non-audit services. Such a situation may be a breach of the independence requirements on the part of the audit firm.

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); state the details on the nature of non-audit services rendered in the Audit Committee's Report.

- iv) To nominate and recommend the appointment or re-appointment of the external auditors, 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. In considering the appointment or re-appointment of the external auditors, to consider among others¹:-

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- (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 Group being audited; and
- (e) the number and experience of supervisory and professional staff assigned to the particular audit.
- (f) the information presented in the Annual Transparency Report² of the audit firm.

If the audit firm is not required to issue an Annual Transparency Report, the Audit Committee is encouraged to engage the audit firm on matters typically covered in Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the audit firm to uphold audit quality and manage risks;

Note:

¹ *To the extent permissible pursuant to the applicable rules, laws and regulations of each jurisdiction in which the Group operates and the framework adopted by the Group for appointment of statutory auditors for statutory audit and non-audit services.*

² *Annual Transparency Report is issued by audit firms registered with the Audit Oversight Board (AOB) where (i) the audit firms have more than 50 public interest entity (PIE) audit clients; and (ii) total market capitalisation of the audit firm's PIE clients above RM10 billion at the end of the calendar year for two (2) consecutive years.*

- v) The Audit Committee is to also consider the performance of the external auditors and its independence inter-alia:-
 - (a) 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;
 - (b) the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - (c) 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
 - (d) obtaining assurance from the external auditors (written or other modes) 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.

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7.3 Internal Auditors

To review the following and report the same to the Board for deliberation and approval or decision:

- (i) Internal Audit Programme which detail the audit areas, audit scope and timing of audit;
- (ii) result of the Internal Audit Report with management's response to the findings, the corrective actions taken and follow-up on previous audit findings, if any;
- (iii) annual assessment of the performance of Internal Auditors, including assessment of their suitability and independence in performing their obligations, which is preferred via a formal evaluation form and recommend the suitability of the Internal Auditors for re-appointment.
- (iv) any letter of resignation from Internal Auditors.

7.4 Related Party Transactions

- (i) Review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity and the framework to be established.
- (ii) Review conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of Management's integrity; and
- (iii) Ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.

7.5 Whistleblowing and fraud

- (i) Ensure that proper investigations are carried out, on a timely basis, for substantiated cases reported by any whistleblower to the Chairman of the Board or the Chairman of the Audit Committee, and report the results and conclusion of such investigations, with the appropriate cause of action shall be recommended to the Board for approval, in accordance with the Group's whistleblowing policy; and
- (ii) Review the Group's policies and procedures for detecting fraud.

7.6 Compliance and Others

- (i) To review the following and report the same to the Board:
 - a) Annual Statement of Risk Management and Internal Control to be published in Annual Report;

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- b) Audit Committee Report to the Board for approval to be published in Annual Report;
 - c) any related party transactions that may arise within the Group.
- (ii) To verify the allocation of share options given to the eligible employees in accordance with the criteria for the Employees Share Scheme and the Bursa Listing Requirements at the end of each financial year.
 - (iii) To assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulations bodies.
 - (iv) To report to the Board of Directors any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulators on which come to its attention and are of sufficient importance to warrant the attention of the Board.
 - (v) To carry any functions that may be mutually agreed upon by the Audit Committee and the Board.

8. 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 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.

9. Deeming Provisions

The provisions under this Terms of Reference have been drafted in a manner to incorporate the provisions under the Bursa Securities Listing Requirements and other statutes, regulations and guidelines applicable to the Audit Committee (if any). In the event the applicable provisions of the Bursa LR and/or relevant governing statutes, regulations and guidelines relating to the Audit Committee are from time to time amended, modified or varied, such amendments, modifications and variations shall be deemed inserted herein whereupon this Terms of Reference shall be read and construed subject to and in accordance with the amended, modified or varied Bursa LR, statutes, regulations and guidelines.

10. Approval

This Terms of Reference is revised and adopted by the Board of Directors on 18 February 2022.