



TROPICAL PARADISE CO. LTD
(“TPCL” or “the Company”)

TERMS OF REFERENCE

AUDIT AND RISK COMMITTEE

1. OVERALL PURPOSE / OBJECTIVES

The Audit and Risk Committee will assist the Board of TPCL in fulfilling its supervisory responsibilities. The Audit and Risk Committee will review the financial reporting process, the system of internal control and management of business and financial risks, the audit process, and the Company's external audit process for monitoring compliance with laws and regulations as well as its own code of business conduct, Board policies and Board decisions. In performing its duties, the Committee will maintain effective working relationship with the Board of Directors, management, and the internal and external auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business, operations, and risks.

2. AUTHORITY

The Board of TPCL authorise the Audit and Risk Committee, within the scope of its responsibilities, to:

- Seek information it requires from:
 - Any employee (and all employees are directed to co-operate with any request made by the audit Committee)
 - External parties
- Obtain outside legal or other professional advice when required to execute the audit function
- Ensure the attendance of Company officers at Audit Committee meetings as appropriate
- Pre-approve the fees arising from all auditing works to be performed by the Company's external audit firm.
- Report to the respective Board and make recommendations in case of disagreements between management and the auditor regarding financial reporting

3. ORGANISATION

Membership

- 3.1 The Audit and Risk Committee will comprise four members, nominated by the Board of TPCL, of which two will be non-executive Directors
- 3.2 All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise.
- 3.3 Each member should be capable of making a valuable contribution to the Committee
- 3.4 At least two members should be independent of management
- 3.5 The chairman of the Audit and Risk Committee will be nominated by the Board of TPCL from time to time and should be a non executive and independent director, but shall not be the chairman of the Board of Directors of TPCL.
- 3.6 The Chairman and members will be appointed for a two year term of office.
- 3.7 A quorum for any meeting will be three members.
- 3.8 The secretary of the Audit and Risk Committee shall be nominated by the Board of TPCL

Attendance of Meetings

- 3.9 The Audit and Risk Committee may invite such other persons (e.g. the CEO, General Manager, financial manager, head of internal audit, etc.) to its meetings, as it deems necessary
- 3.10 The internal and external auditors should be invited to make presentations to the audit Committee as appropriate
- 3.11 Meetings shall be held not less than twice a year. Special meetings may be convened as required. Internal auditors or the external auditors may ask for a meeting to be convened if they consider that it is necessary
- 3.12 Minutes of the proceedings of all meetings will be compiled. The secretary will communicate minutes of meetings to the Committee members, management and internal auditors
- 3.13 Committee members have fiduciary duties to disclose any conflict of interest in a particular matter being discussed.

4. ROLES AND RESPONSIBILITIES

The Audit and Risk Committee will:

Internal Control

- 4.1 Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and ensuring that all employees have an understanding of their roles and responsibilities
- 4.2 Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown

- 4.3 Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.
- 4.4 Report on the effectiveness of internal control to the Board of Directors of TPCL.

Financial Reporting

a. General

- 4.5 Gain an understanding of the current areas of greatest financial risk and how management of TPCL are managing these effectively.
- 4.6 Review with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues and evaluate corrective actions taken.
- 4.7 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements of TPCL.
- 4.8 Ask management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks
- 4.9 Review any legal matters which could significantly impact the financial statements of TPCL.

b. Annual Consolidated Financial Statements

- 4.10 Review the annual consolidated audited financial statements and determine whether they are complete and consistent with the information known to Committee members, assess whether the financial statements have been prepared according to the International Financial Reporting Standards.
- 4.11 Obtain explanations from management and internal and external auditors whenever
 - Actual financial results vary significantly from budgeted or projected results;
 - There are any actual or proposed changes in accounting or financial reporting practices;
 - There are any significant or unusual events or transactions.And make sure
 - Changes in financial ratios and relationships in the financial - statements are consistent with changes in the Company's operations and financing practices;
 - International Financial Reporting Standards have been consistently applied;
 - The Company's financial and operating controls are functioning effectively.
- 4.12 Pay particular attention to disclosures relating to complex transactions if any.
- 4.13 Focus on judgmental areas, for example those involving valuations of assets and liabilities, warranty, product or environmental liability, litigation reserves, and other commitments and contingencies.
- 4.14 Meet with management and the external auditors to review the financial statements and the results of the audit.
- 4.15 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the Company and its operations.

c. Quarterly unaudited financial statements

- 4.16 Review the quarterly unaudited financial statements and determine whether they are complete and consistent with the information known to Committee members, assess whether the quarterly financial statements have been prepared according to the International Financial Reporting Standards.

Internal Audit

- 4.17 Review the activities and organisational structure of the internal audit function and ensure no unjustified restrictions or limitations are made.
- 4.18 Assess the qualifications of internal audit personnel.
- 4.19 Discuss and validate scope of duties of the internal audit function on an annual basis and recommend their fees.
- 4.20 Meet separately with the head of internal audit to discuss any matters that the Committee or auditors believe should be discussed privately.
- 4.21 Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis.
- 4.22 Ensure that management of TPCL respond to recommendations by internal auditors.

External Audit

- 4.23 Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope.
- 4.24 Review the performance of the external auditors.
- 4.25 Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Company.
- 4.26 Make recommendations to the Board of TPCL regarding the appointment of the external auditors.
- 4.27 Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- 4.28 Ensure that management of TPCL responds to recommendations by the external auditors.
- 4.29 Review and recommend to the Board of TPCL the fees and other compensation.

Food Safety Audit

- 4.30 Appraise the audit scope and approach of the internal food safety auditor.
- 4.31 Appraise the effectiveness of the internal food safety audit function.
- 4.32 Ensure that significant findings and recommendations made by food safety internal auditors are received and discussed at management level on a timely basis.
- 4.33 Ensure that management responds to recommendations.

Risk Assessment

- 4.34 Gain an understanding of the current areas of greatest business and financial risk and how management of TPCL are managing these effectively.
- 4.35 Review regularly the Risk register (prepared by management) of TPCL and ensure through internal audit reports that the risks are reviewed on a regular basis.
- 4.36 Review with management of TPCL and the internal and external auditors about significant risks and exposures and the plans to minimize such risks and ensure that risks identified are being monitored
- 4.37 The Audit and Risk Committee shall make use of generally recognized risk management and internal control models and frameworks in order to maintain a sound system of internal control and risk management to:
- Safeguard the Company's assets and investments;
 - Support business objectives and sustainability;
 - Support business sustainability under normal as well as adverse operating conditions;
 - Behave responsibly towards all stakeholders having a legitimate interest in the Company; and
 - Review the adequacy of insurance coverage.

Compliance with Financial Regulations

- 4.38 Review the effectiveness of the system for monitoring compliance with financial regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- 4.39 Obtain regular updates from management of TPCL and Company's legal counsel regarding compliance matters.
- 4.40 Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- 4.41 Review the findings of any examinations by regulatory agencies.

Compliance with the Code of Conduct, Policies and Decisions as set out by the Board of TPCL

- 4.42 Ensure that the Code of Conduct, policy and decisions are in writing and that arrangements are made for all Board members of TPCL (and management where appropriate) to be aware of it
- 4.43 Obtain regular updates from management of TPCL regarding compliance

Reporting Responsibilities

- 4.44 Regularly update the Board of TPCL about Committee activities and make appropriate recommendations.
- 4.45 Ensure the Board of TPCL are aware of matters which may significantly impact the financial condition or affairs of the business.

Other Responsibilities

- 4.46 Perform other supervisory functions as requested by the Board of TPCL.
- 4.47 Discuss with management of each Company's major policies with respect to risk assessment and risk management.
- 4.48 If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- 4.49 Review and update the charter, receive approval of changes from the Board of TPCL.
- 4.50 Evaluate the Committee's own performance on a regular basis.

Members Remuneration

- 4.51 Members of the Audit and Risk Committee will be remunerated as per decision of the Board of TPCL.