

DPI HOLDINGS BERHAD
(Company No: 1249778 – M)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE

1. COMPOSITION

- I. The members of the Audit and Risk Committee (“the Committee”) shall be appointed by the Board of Directors (“Board”) from among its members and shall comprise not less than three (3) members, whereby all members must be non-executive Directors, with a majority of them being Independent Directors and financially literate, and at least one (1) member of the Committee:-
 - a. Must be a member of the Malaysian Institute of Accountants; or
 - b. 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 examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - He must be a member of one of the association of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - c. Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- II. Alternate Director shall not be appointed as a member of the Committee.
- III. The Committee shall elect a Chairman from among its members who is an Independent Director and shall be appointed by the Board. The Chairman of the Committee is not the Chairman of the Board.
- IV. In the event the elected Chairman is not able to attend a meeting, the remaining members present shall elect one of themselves as Chairman for the meeting. The elected Chairman shall be an Independent Director.
- V. If a member of the Audit and Risk Committee resigns, retires, dies or for any other reason ceases to be a member resulting in the non-compliance with item I above, the Board shall fill the vacancy within three (3) months.
- VI. The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee once a year to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

2. MEETINGS

I. Frequency of meetings

- a. Meetings shall be held not less than four (4) times a year. However, additional meetings may be called at any time depending on the scope of activities of the Committee. In the event issues requiring the Committee's decision arise between meetings, such issues may be resolved through written resolution of the Committee. Such written resolution shall be deemed valid and effectual if it is signed or approved by letter, facsimile or any electronic means by members of the Committee pursuant to the Constitution of the Company.
- b. Other Board members, senior management, internal and external auditors may be invited to attend meetings.
- c. Prior notice shall be given for all meetings.

II. Quorum

The minimum quorum for the meeting is two (2) members of the Committee.

III. Secretary

The Company Secretary shall be the secretary of the Committee. The Secretary shall circulate the notice and minutes of the Committee to all members of the Committee.

IV. Minutes of the Committee Meeting

Every meeting of the Committee must be minuted either by the Company Secretary or any other person approved by the Committee and such minutes must be confirmed by the Committee at the next succeeding Committee meeting.

The Minutes of each meeting signed by the Chairman of that meeting or by the Chairman of the next succeeding meeting shall be evidence of the proceedings that the meeting was duly convened and held.

3. FUNCTIONS

The Duties and Functions of the Committee are as follows:-

- I. review the Group's quarterly results and year-end financial statements before submission to the Board, focusing particularly:
 - (i) changes in or implementation of major accounting policy changes;

- (ii) significant matters highlighted including financial reporting issues, significant judgments made by the management, significant and unusual events or transactions, and how these matters are addressed;
 - (iii) significant adjustments arising from audit;
 - (iv) compliance with accounting standards and other legal requirements; and
 - (v) going concern assumption;
- II. recommend appointment or reappointment of external auditor and their audit fees;
- III. review with the external auditor on the following and report the same to the Board:
 - (i) audit plan;
 - (ii) audit report;
 - (iii) evaluations of the system of internal controls;
 - (iv) the assistance given by the employees to the external auditor;
 - (v) external auditor's report of deficiencies in internal control and management's response thereto; and
 - (vi) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditor;
- IV. review with the internal auditor on the following and report the same to the Board:
 - (i) annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group;
 - (ii) effectiveness of the internal audit processes as well as the adequacy of resources, competency and the necessary authority for the internal audit function;
 - (iii) internal audit report containing the internal audit findings, commentaries and recommendations and to follow-up on remedial actions;
 - (iv) effectiveness of internal control systems and risk management systems and have them considered if necessary; and
 - (v) external auditor's report of deficiencies in internal control and management's response thereto;

- V. take cognisance of resignations of internal auditor and provide the resigning internal auditor with an opportunity to submit his reasons for resigning upon receipt of such notice of resignation;
- VI. review the appraisal or assessment of performance of the internal auditor;
- VII. review the following and report the same to the Board:
 - (i) Annual Statement of Risk Management and Internal Control to be published in the Annual Report;
 - (ii) any related party transactions and conflict of interest situations that may arise including any transaction, procedure or course of conduct that raises question of management integrity;
 - (iii) any letter of resignation from the external auditor or suggestions for their dismissal; and
 - (iv) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
- VIII. review the adequacy and effectiveness of risk management and internal control system within our Group;
- IX. assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies; and
- X. carry out any other function that may be mutually agreed upon by the Audit and Risk Committee and the Board.

4. AUTHORITY

The Committee is authorised by the Board to have the resources whichever required to perform its duties within its term of reference at the cost of the Company, including but not limited to the following:-

- I. To secure full and unrestricted access to any information concerning the Group.
- II. To communicate directly with the external and internal auditors, and all employees of the Group.
- III. To seek and obtain independently professional advice and to secure the attendance of outsiders with relevant experience and expertise as it considers necessary.
- IV. To convene meetings with the external and internal auditors or both without the presence of Directors and employees of the Company, whenever deemed necessary.

5. COMMUNICATION TO THE BOARD

- I. The minutes of each Committee meeting shall be tabled to the Board for notation.
- II. The Committee may from time to time submit to the Board its recommendation on matters within its purview, for the Board's decision.
- III. Where the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the ACE Market Listing Requirements of Bursa Securities, the Committee must promptly report such matter to Bursa Securities.