

DAYANG ENTERPRISE HOLDINGS BHD
TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. OBJECTIVES

Assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

2. COMPOSITION

- (a) The Audit Committee shall consist of not less than three (3) members appointed by the Board, amongst the Non-Executive Directors of the Company with a majority of them being independent directors.
- (b) The members of the Audit Committee must elect a Chairman among themselves who is an independent director.
- (c) No alternate director shall be appointed as a member of the Audit Committee.
- (d) At least one (1) member of the Committee:
 - i) Must be a member of the Malaysian Institute of Accountant or
 - ii) if he is not a member of Malaysian Institute of Accountants, he must have at least 3 years' working experience and
 - (aa) he have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) 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; or
 - (cc) fulfils such other requirements as prescribed or approved by the Exchange.
 - (dd) The term of office and performance of each of the member of the Committee shall be reviewed by the Nomination Committee annually.
- (e) The Secretary to the Board of Directors shall also be secretary of this Committee.
- (f) In the event of any vacancy in the Committee resulting in less than 3 members, the vacancy must be filled within three (3) months.

3. MEETINGS OF THE AUDIT COMMITTEE

- (a) Any two (2) members of the Committee shall constitute a quorum, the majority of whom shall be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall nominate one amongst themselves to be the Chairman of the Meeting who must be an Independent Non-Executive Director.

- (b) The Committee shall meet as the Chairman deems necessary but not less than four (4) times a year with due notice of items to be discussed and shall record its conclusion in discharging its duties and responsibilities.
- (c) The Group Financial Controller, Group Accountant and the Head of Group Internal Audit shall normally attend the Audit Committee meetings. The Committee may invite any other Directors or any employees within the Group who the Committee thinks fit to attend any of its meetings to assist in resolving and clarifying matters that have been brought to their attention.

The Committee shall meet with the External Auditors at least twice a year without the presence of the Executive Directors and Management.

- (d) Questions arising at any meeting shall be decided by a majority vote, each member having one vote and in the event if a tie, the Chairman shall have a second or casting vote. However, at meetings where two members form a quorum or when only two members are competent to vote on an issue, the Chairman will not have a casting vote.
- (e) The Committee is authorized by the Board to obtain outside legal or other independent professional advice it considers necessary and reasonable for the performance of its duties.

4. AUTHORITY

- (a) The Committee must have authority to investigate any matter within its terms of reference, the resources which are required to perform its duties and have full unrestricted access to information.
- (b) The Committee should have direct communication channels with the external auditors and person(s) carrying out the internal audit function of activity.
- (c) The Committee should be able to obtain independent professional advice, if necessary.
- (d) The Committee should 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.

THE RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Audit Committee is responsible for the following:

- ❖ To examine the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems;
- ❖ To ensure the financial statements comply with applicable financial reporting standards;
- ❖ To review the Audit Report with the external auditor;
- ❖ To review with the external auditor, his evaluation of the systems of internal controls;
- ❖ Review the assistance given by the employees of the Company to the external auditor,
- ❖ To review the quarterly results and year-end financial statements and other published information, prior to the approval by the board of directors, focusing particularly on-
 - (i) Any changes in or implementation of major accounting policies
 - (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.

- ❖ To recommend to the Board the appointment of the external auditors and their fees;
- ❖ Review annual audit plan with the external auditors
- ❖ To consider the adequacy of experience, resources and any issue regarding re- appointment, resignation or dismissal of the external auditors;
- ❖ To review the activities, findings, conclusions and recommendations of the external auditors;
- ❖ To review and monitor suitability and independence of external auditors;
- ❖ To do the following where an internal audit function exists:
 - ∞ review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - ∞ review the internal audit plan and results of the internal audit process and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - ∞ consider the major findings of internal audit investigations and the management’s response;
 - ∞ approve any appointment or termination of Internal Auditor.
- ❖ To review arrangements established by management for compliance with regulatory and financial reporting requirements;
- ❖ To review related party transactions and conflict of interest situations that may arise within the company or Group including any transactions, procedures or courses of conduct that may raise questions of management integrity;
- ❖ To undertake such additional duties as may be appropriate to assist the Board in carrying out its duties.

CIRCULAR RESOLUTION

A resolution in writing signed by a majority of all members of the Committee shall be valid and effectual as if it had been passed at a meeting of the Committee.

The expressions “in writing” or “signed” include approval by legible confirmed transmission by email, fax, telegram or other forms of electronic communications.

REPORTING PROCEDURES

- (a) After each committee meeting, the chairman shall report the committee’s findings and recommendations to the board.
- (b) Detailed audit reports by Internal Auditor and the respective Management response are circulated to members of the Committee before each Meeting of the Committee at which the said reports are tabled.
- (c) The secretary shall circulate the minutes of meeting of the Audit Committee to all members of the Audit Committee.