

DANCOMECH HOLDINGS BERHAD
Registration No. 201301020455 (1050285-U)

**TERMS OF REFERENCE
FOR AUDIT AND RISK MANAGEMENT COMMITTEE**

1 Objectives

The primary function of the Audit and Risk Management Committee (the “Committee”), formed by the Board of Directors (“the Board”), is to assist the Board in fulfilling its fiduciary duties as well as the following oversight objectives on the activities of Dancomech Holdings Berhad (“the Company”) and its subsidiaries (“the Group”):

- 1.1 Assist the Board in meeting its responsibilities relating to accounting and reporting practices of the Group;
- 1.2 Oversee financial reporting process;
- 1.3 Oversee and appraise the quality of audits conducted both by the Company’s internal and external auditors;
- 1.4 Maintain open lines of communication between the Board, the internal auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
- 1.5 Determine the adequacy of the Group’s administrative, operating and accounting controls;
- 1.6 Evaluate the internal and external audit processes, including issues pertaining to the system of internal control and risk management within the Group;
- 1.7 Review conflict of interest situations and related party transactions (including recurrent related party transactions); and
- 1.8 undertake any such other functions as may be determined by the Board from time to time.

2 Composition

2.1 The Board must appoint the Committee members from amongst themselves, comprising no fewer than three (3) Directors (none of whom shall be executive) and the majority shall be Independent Non-Executive Directors. In this respect, the Board adopts the definition of “independent directors” under the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

2.2 At least one (1) member of the Committee must be:

- 2.1.1 a member of the Malaysian Institute of Accountants (“MIA”); or
- 2.1.2 if he is not a member of MIA, he must have at least three (3) years of 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 the associations of accountants specified in Part II of the Accountants Act 1967; or

- 2.1.3 fulfils such other requirements as prescribed or approved by Bursa Securities.
- 2.3 No alternate Director of the Board shall be appointed as a member of the Committee.
- 2.4 If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three(3) months of the event appoint such number of new members as may be required to fill the vacancy.
- 2.5 The Chairman of the Committee shall be an Independent Non-Executive Director elected among the members of the Committee and is not the Chairman of the Board.
- 2.6 All members of the Committee should be financially literate, competent and are able to understand matters under the purview of the Committee including financial reporting process.
- 2.7 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.
- 2.8 For engagement of a former partner of the external audit firm and/or its affiliate firms as a member of the Committee and to safeguard the independence of the Committee, there must be a cooling off period of at least three (3) years before being appointed as a member of the Committee.
- 2.9 The Nomination Committee of the Company must review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

3 Quorum and Meeting Procedures

- 3.1 Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. However, at least twice a year the Committee shall meet with the external auditors without executive Board members and Management present.
- 3.2 In addition, the Chairman may call for a meeting of the Committee if a request is made by any Committee member, the Managing Director or the internal or external auditors.
- 3.3 The quorum for a meeting shall be two (2) Committee members. In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

- 3.4 The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the Company and shall be responsible, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes of all Committee meetings shall be circulated to members of the Board.
- 3.5 The Company Secretary or his/her representative or other appropriate senior officer shall be in attendance at each the Committee meetings and responsible for keeping the minutes of meetings of the Committee, and circulating them to Committee members and to the other members of the Board.
- 3.6 The Committee may, as and when deemed necessary, invite other Board members and Senior Management members, counsels and consultants when applicable and necessary to attend and participate the meetings, to assist in carrying out the Committee's responsibilities.
- 3.7 The Chairman shall submit an annual report to the Board, summarising the Committee's activities during the year and the related significant results and findings thereof, including details of relevant training attended by each Committee member.
- 3.8 The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter. A resolution in writing, signed by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members and may be accepted as sufficiently signed by the Committee members if transmitted to the Company by email, facsimile or other electronic means or digital written message/application to include a signature of the Committee members.
- 3.9 The Committee members may participate in a meeting by means of telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 3.10 A member of the Committee shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this causes a lack of quorum, the Committee has the right to appoint another director(s) who meets the membership criteria.

4 Authority

- 4.1. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employee and employees are directed to co-operate with any request made by the Committee.

- 4.2. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary in the discharge of its responsibilities, subject to compliance with the provisions on such advisers stipulated in the Board Charter.
- 4.3. The Committee shall have full and unlimited access to any information pertaining to the Group. The Committee shall have direct communication channels with the internal and external auditors and with Senior Management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary. The Committee shall have the resources that are required to perform its duties.
- 4.4. The Chairman of the Committee should engage on a continuous basis with senior management, such as the Chairman, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.
- 4.5. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

5 Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

5.1. Financial Reporting and Compliance

- 5.1.1 review the Committee's terms of reference as conditions dictate.
- 5.1.2 review major audit findings and Management's response during the year with Management, external auditors and internal auditors, including the status of previous audit recommendations.
- 5.1.3 review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- 5.1.4 review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - 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.

- 5.1.5 review procedures in place to ensure that the Group is in compliance with the MMLR of Bursa Securities and other legislative and reporting requirements.
- 5.1.6 Any other activities, as authorised by the Board.
- 5.2. Review conflict of interest situations and related party transactions (including recurrent related party transactions)
- 5.2.1 review any related party transaction and conflict of interest or potential conflict of interest situation(s) that arose, persist or may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on Management's integrity, the measures taken to resolve, eliminate, or mitigate such conflicts.
- 5.2.2 review and report to the Board any related party transactions entered into by the Company and the Group including the review and monitoring of recurrent related party transactions, to ensure that:
- all such transactions are fair, reasonable and undertaken on the Group's normal commercial terms;
 - the internal control procedures with regard to such transactions are adequate; and
 - compliance with the relevant provisions of the MMLR.
- 5.3. External Audit
- 5.3.1 nominate and recommend the appointment/re-appointment and of the external auditors, resources, audit fee and any issues regarding the 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/ 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;
- 5.3.2 conduct annual evaluation on the performance of the external auditors and its independence (including obtaining written assurance from the external auditors) as below:-
- the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and

- 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;
- 5.3.3 review with the external auditors, the nature, scope and plan of the audit, including any changes to the scope of the audit plan before the audit commences and report the same to the Board;
- 5.3.4 review the external auditor's management letter and Management's response;
- 5.3.5 review whether there is reason, supported by ground, to believe that the external auditors are not suitable for re-appointment and make the relevant recommendation to the Board;
- 5.3.6 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;
- 5.3.7 In the event that the non-audit fees paid to the 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 external auditors), the Company is required to state the details on the nature of non-audit services rendered in the Committee Report; and
- 5.3.8 ensure co-ordination if more than one (1) audit firm is involved in the audit;
- 5.4. Internal Audit
- 5.4.1 ensure the internal audit function is independent of the activities it audits and the head of internal audit (for in-house internal audit function) / the internal audit service provider (for outsourced internal audit) reports functionally to the Committee directly and review their performance on an annual basis. The head of internal audit / the internal audit service provider should have the relevant qualifications and be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group for providing assurance to the Committee that the internal controls are operating effectively;
- 5.4.2 take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for outsourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning;
- 5.4.3 review the adequacy of the internal audit scope, competency, functions and plans, including the internal audit programme; and resources of the internal audit function and that it has the necessary authority to carry out its work;

- 5.4.4 review the internal audit programme, processes the results of the internal audit programme, processes and investigation undertaken, and whether or not appropriate action is taken on the recommendations of the internal auditors, where necessary;
 - 5.4.5 approve any appointment or termination of the internal auditors;
 - 5.4.6 investigate or cause to be investigated any activity within its terms of reference;
 - 5.4.7 the Committee will have explicit authority over the resources such as professional advice and full access to information to investigate certain matters; and
 - 5.4.8 discuss and review the major findings of any internal investigations and the Management's response.
- 5.5. Risk Management and Internal Control
- 5.5.1 review the adequacy and integrity, including effectiveness, of risk management and internal control systems, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems and assess the resources and knowledge of the management and employee involved in the risk management process.
 - 5.5.2 review the risk profile of the Group (including risk registers) and the Risk Management team's plans to mitigate business risks as identified from time to time;
 - 5.5.3 review the effectiveness of internal control systems, i.e. the risks, control environment and compliance requirements based on the results of the external and internal audits.
 - 5.5.4 review and recommend the corrective measures undertaken to remedy failings and/or weakness.
 - 5.5.5 Oversee the Group's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Group's assets from misappropriation and encourage legal and regulatory compliance.

6 Revision of the Terms of Reference

- 6.1 Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval.
- 6.2 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.

7 Approval

This Terms of Reference is reviewed and approved by the Board on 21 November 2024.