

D'NONCE TECHNOLOGY BHD.

(Company No. 503292-K)

(Incorporated in Malaysia)

Terms of Reference of the Audit Committee

These Terms of Reference shall supercede all previous established terms of reference.

1. MEMBERSHIP

1.1 The Committee shall be appointed by the Board from amongst their members which fulfils the following requirements:-

- (a) the Committee must be composed of no fewer than 3 members, a majority of whom must be independent directors;
- (b) all members of the Audit Committee shall be non-executive directors and should be financially literate; and
- (c) at least one member of the Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part I 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.
 - (iii) fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.

1.2 The members of the Committee shall elect a Chairman from among themselves who shall be an independent director. The Chairman of the Audit Committee must not be the Chairman of the Board.

1.3 No alternate director should be appointed as a member of the Committee.

1.4 A former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

1.5 In the event of any vacancy in the Committee resulting in the non-compliance of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad pertaining to the composition of the Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.

1.6 The term of office and performance of the Committee and each of its members must be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

1.7 All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

2. AUTHORITY

2.1 The Committee is authorised by the Board:-

- (i) to investigate any activity within its terms of reference;
- (ii) to have the resources which are required to perform its duties;
- (iii) to have full and unrestricted access to any information pertaining to the Company;
- (iv) to have direct communication with and access to the external auditors and person(s) carrying out the internal audit function or activity;
- (v) to obtain external legal or other independent professional advice and secure attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (vi) 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.

2.2 The Committee does not have any executive powers. It shall report to the Board of Directors on the matters that it has considered and its recommendations and comments thereon.

2.3 The Committee shall also have the power to establish Sub-Audit Committee(s) to carry out certain investigations on behalf of the Committee in such manner, as the Committee deems fit and necessary.

3. SCOPE AND FUNCTIONS

3.1 The scope and functions of the Committee shall be:-

- (a) in respect of the appointment of external auditors:
 - (i) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
 - (ii) to consider the nomination of a person or persons as external auditors and to determine the audit fee;
 - (iii) to consider any questions of resignation or dismissal of external auditors; and
 - (iv) to conduct annual assessment on the suitability, objectivity and independence of the external auditor through established policies and procedures.
- (b)
 - (i) to discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
 - (ii) to discuss problems and reservations arising from the audit with the auditors, without management presence, if necessary;
 - (iii) to review the external auditors' management letter and management's response;
 - (iv) to review the audit plan; and
 - (v) to review the assistance given by the employees of the Company to the external auditors.

Terms of Reference of the Audit Committee

- (c) to review the quarterly and year-end financial statements and focus on:
 - (i) financial reporting process, detection of financial irregularities, to ascertain that the financial statements are consistent with operational information;
 - (ii) any changes in or implementation of major accounting policy changes;
 - (iii) 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
 - (iv) compliance with accounting standards and other legal requirements.
- (d) to report to the Board of Directors all pertinent issues which are necessary to be reported or on any key issues affecting the Company and its subsidiaries;
- (e) to perform the following duties in relation to the internal audit function:
 - (i) review the adequacy of the scope, function, budget, competency, resources and authority necessary to carry out the work and that it reports directly to the Audit Committee;
 - (ii) review the internal audit assessment, processes and results and ensure that appropriate action is taken on the recommendations;
 - (iii) review and appraise the performance of members of the internal audit function;
 - (iv) approve the appointment and termination of senior internal audit personnel;
 - (v) review the resignations of internal audit personnel and give them the opportunity to submit reasons for their resignations; and
 - (vi) review the follow-up actions by management on the weaknesses of internal accounting procedures and controls as highlighted by the internal auditors.
- (f) to review any related party transaction and conflict of interests situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) consider major findings of internal investigations and management's response;
- (h) to review the Group's risk management and internal control;
- (i) to promptly report such matter to the Exchange if the Committee is of the view that the matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements.
- (i) to review the allocation of options during the year if any, under the Company's Employees Share Option Scheme ("ESOS") to ensure that this was in compliance with the allocation criteria determined by the ESOS committee and in accordance with the By-Laws of the ESOS; and
- (j) to perform any other work as may be directed by the Board from time to time.

4. MEETING, MINUTES AND REPORTING

- 4.1 Meeting shall be held not less than four (4) times a year. The Head of Finance, the Head of Internal Audit and a representative of the external auditors shall normally be invited to attend the meeting. Other members of the Board may attend the meeting upon the invitation of the Committee. To form a quorum the majority of members present must be independent directors.
- 4.2 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.
- 4.3 The Committee should meet with the external auditors without any executive Board members present at least twice a year.
- 4.4 The secretary shall keep minutes of each meeting which shall be distributed to each member of the Committee. The Chairman of the Committee shall report to the Board on each meeting.
- 4.5 The Committee shall regulate its own procedure, in particular:-
- (a) the calling of meetings;
 - (b) the notice to be given of such meetings;
 - (c) the voting and proceedings of such meetings;
 - (d) the keeping of minutes; and
 - (e) the custody, production and inspection of such minutes.
- 4.6 The notice of each meeting confirming the date, time, venue and agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Audit Committee at least 5 business days in advance of each scheduled meeting date. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.