



# **DXN Holdings Bhd.**

Registration No. 199501033918 (363120-V)  
(Incorporated in Malaysia)

**TERMS OF REFERENCE**

**AUDIT COMMITTEE**



DXN Holdings Bhd.  
Registration No. 199501033918 (363120-V)

Terms of Reference | Audit Committee

## Revision History

Revision Code	Revision Description	Effective Date
00	New Terms of Reference was reviewed and approved	22 February 2022
01	Revised Terms of Reference was reviewed and approved	25 October 2023



## Table of Contents

1.	Objectives .....	4
2.	Composition .....	5
3.	Meeting Procedures .....	6
4.	Voting .....	8
5.	Authority .....	8
6.	Secretary .....	9
7.	Functions & Responsibilities .....	10
8.	Reporting .....	15
9.	Review of the Committee .....	15
10.	Disclosure .....	16
11.	Revision to the Terms of Reference.....	16



## 1. Objectives

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- 1.1 The primary function of the audit committee (“**AC**” or “**the Committee**”) of DXN Holdings Bhd. (“**DXN**” or “**the Company**”), in line with the Malaysian Code on Corporate Governance revised and updated on 28 April 2021, is to assist the board of directors of the Company (“**Board**”) in the discharge of its responsibilities in relation to accounting and financial reporting practices and internal controls of DXN and its subsidiary company(ies) (“**DXN Group**” or “**the Group**”).
- 1.2 The AC acts on behalf of the Board and shall assist the Board in:
- (a) complying with specified accounting standards and required disclosure as administered by Bursa Malaysia Securities Berhad (“**Bursa Securities**”), relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
  - (b) overseeing a formal and transparent arrangement as well as appraising the quality of the audits conducted both by the Company’s internal and external auditors;
  - (c) maintaining open lines of communication between the Board, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
  - (d) maintaining a sound system of internal controls covering administrative, operating and accounting and risk management to safeguard shareholders’ investment and the Group’s assets;
  - (e) overseeing the Group’s compliance with applicable laws, rules and regulations and has in place an appropriate code of business conduct;
  - (f) overseeing financial reporting; and
  - (g) investigating any concerns received on possible irregularities within the DXN Group.



## 2. Composition

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- 2.1 The Committee shall be appointed by the Board from amongst the directors of the Company (“**Directors**”). It shall consist of no less than three (3) members and all shall be independent non-executive directors. In this respect, the criteria for independence of the “independent directors” shall be as defined under the Main Market Listing Requirements of Bursa Securities (“**MMLR**”).
- 2.2 At least one (1) member must fulfil the following criteria:
- (1) a member of the Malaysian Institute of Accountants (“**MIA**”); or
  - (2) if the director is not a member of the MIA, he must have:
    - (a) at least three (3) years working experience and
      - (i) the director must have passed the examination specified in Part I of the 1<sup>st</sup> Schedule to the Accountants Act, 1967; or
      - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule to the Accountants Act 1967; or
    - (b) at least three (3) years post-qualification working experience in accounting or finance and
      - (i) a degree/masters/doctorate in accounting or finance; or
      - (iii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
    - (c) at least 7 years of experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
    - (d) fulfils such other requirements as may be prescribed or approved by Bursa Securities from time to time.
- 2.3 The Chairman of the Committee shall be an independent non-executive director. The Chairman of the Committee shall not be the Chairman of the Board. In the absence of the Chairman of the Committee, the members present shall elect one of their number to chair the meeting.
- 2.4 No alternate Director of the Board or Chairman of the Board shall be appointed as a member of the Committee.



- 2.5 In the event of any vacancy in the AC resulting in the reduction of the number of members to below three (3) or vacancy of the position of Chairman of the Committee or resulting in the non-compliance of paragraph 2.2 above, the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.
- 2.6 All members of the AC, including the Chairman of the Committee, will hold office only so long as they serve as Directors of the Company.
- 2.7 A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc) of the Company is to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.
- 2.8 All members of AC should be financially literate and are able to understand matters under the purview of the AC including the financial reporting process.
- 2.9 The AC members shall and collectively:
  - (a) have sufficient understanding and knowledge of the Group's business and industry which the Group operates; and
  - (b) have the ability to understand key business and financial risks and related controls and control processes.

### **3. Meeting Procedures**

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- 3.1 The Committee is to meet at least four (4) times during the financial year of the Company, i.e. on a quarterly basis, or more frequently as the need arises or if so requested by any member of the Committee or by the Chairman of the Committee or the internal auditors or external auditors.
- 3.2 The Committee will conduct all its meetings separately from Board meetings.
- 3.3 In order to form a quorum (subject to a minimum of two (2)) for the meeting, the majority of the members present must be independent non-executive directors. In the absence of the Chairman of the Committee, the members present shall elect an acting Chairman from amongst them present.
- 3.4 Unless the meeting is called on a short notice basis, the Secretary, in conjunction with the Chairman of the Committee, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least five (5) working days prior to each meeting to the members of the Committee.



- 3.5 The Chief Financial Officer, finance manager, and internal auditors will usually attend the meeting and the presence of external auditors may be requested if required.
- 3.6 The Committee may, as and when deemed necessary, invite other Board members and senior management members, employees, counsels and consultants, as applicable, to attend the meetings, specific to the relevant meeting, as and when necessary.
- 3.7 The Chairman of the Committee 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 meet with the external auditors without the presence of executive Board members and management, at least **twice** a year as well as when required. In addition, the Management, the internal auditors and external auditors may request a private session with the Committee to discuss any matter of concern.
- 3.9 The company secretary or his/her representative shall be in attendance at each AC meeting and record the proceedings of the meeting thereat.
- 3.10 The Committee shall record its conclusion on issues discussed during meetings and report to the Board at the quarterly Board meetings. The minutes shall be circulated to members of the Board and duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee.
- 3.11 The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- 3.12 The Chairman of the Committee should attend the Annual General Meeting to answer any shareholders' questions on the Committee's activities.



#### **4. Voting**

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- 4.1 In appropriate circumstances, the AC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by a majority of members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members and forwarded or otherwise delivered to and shall be recorded by the company secretary.
- 4.2 Matters for decisions that arise at the Committee meeting will be decided by a majority vote. If the votes are equal, the Chairman of the meeting has a second casting vote. However, the Chairman will not have a second casting vote where only 2 Directors form the quorum or at which only 2 Directors are competent to vote on the question at issue.
- 4.3 An AC member is required to abstain from discussions, deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation for the AC member.

#### **5. Authority**

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- 5.1 The AC shall:
- (a) have explicit authority to investigate any matter within its terms of reference;
  - (b) have the resources which are required to perform its duties;
  - (c) have full and unrestricted access to any information and documents/records/resources pertaining to the Company and Group as well as personnel of the Company and the Group;
  - (d) have direct communication channels with the internal and external auditors and person(s) carrying out the internal audit function or activity (if any) and with the management of the Group;
  - (e) be able to obtain independent professional or other advice, at the expense of the Company wherever necessary and reasonable and in accordance with a procedure to be determined by the Board, in order to perform of its duties; and





- (f) be able to convene meetings with the external auditors, the internal auditors or both (without the presence of executive Board members and management) as and whenever deemed necessary.

5.2 The Chairman of the AC shall engage on a continuous basis with senior management, such as the Chairman of the Board, the Managing Director or Chief Executive Officer, the Group Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

## **6. Secretary**

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- 6.1 The company secretary shall be the Secretary of the Committee or any other person as the AC may decide.
- 6.2 The Secretary shall organize and provide assistance at AC meetings and have the following key responsibilities:
  - (a) ensure meetings are arranged and held accordingly.
  - (b) assist the Chairman of the Committee in planning the AC's activities.
  - (c) draw up meeting agendas in consultation with the Chairman of the Committee and maintain the minutes and draft its scheduled activities for the financial year.
  - (d) ensure structured communication channels between the Board and the AC.
  - (e) ensure proceedings of meetings are recorded and the minutes circulated in a timely manner and reviewed by the AC before disseminating them to the Board.
  - (f) ensure AC recommendations presented to the Board are supported by papers that explain the rationale for the AC's recommendations.



## **7. Functions & Responsibilities**

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7.1 The Committee will undertake the following responsibilities and functions in fulfilment of paragraph 15.12 of the MMLR and report on the same to the Board.

### **7.2 External Audit**

- (1) Review the audit scope, nature and plan with external auditors to ensure that it has the necessary authority to carry out its work, including any changes to the planned audit scope and ensure co-ordination where more than one firm of auditors is involved and report on the same to the Board.
- (2) Review external audit reports and management letters from the external auditors to ensure that prompt corrective actions are taken to address issues (including any deficiencies in the internal control system) highlighted and report on the same to the Board.
- (3) Discuss problems and reservations, if any, arising from the interim and final audits, and any matter (including all key audit matters highlighted in the auditors' report) which the external auditors wish to discuss in the absence of the management, where necessary.
- (4) Review major audit findings and the Management's response during the year with the management, external auditors and internal auditors, including the status of previous audit recommendations.
- (5) Review the assistance and cooperation rendered by the Group's officers to the external auditors and difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- (6) Set policies and procedures to assess the suitability, objectivity and independence of the external auditors. Consider and make recommendations to the Board in relation to the nomination and re-appointments of external auditors and their audit fees by taking into account the objectivity, suitability, competence, resource capacity and independence of the external auditors, the services and audit fee (to ensure the balance between objectivity, quality of audit and value for money) and any question of resignation or dismissal including any written explanations, and the letter of resignation from external auditors, if applicable.



The assessment should also consider information presented in the Annual Transparency Report of the audit firm, if such report is prepared by the external auditors.

- (7) Review whether there is reason, supported by grounds, to believe that the external auditors are not suitable for reappointment and report the same to the Board.
- (8) Review the non-audit services provided by the external auditors and/or its network firms to the Company for the financial year, including the nature and extent of the non-audit services, fee of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided. The contracts that cannot be entered into should include:
  - (a) Management consulting;
  - (b) Strategic decision;
  - (c) Internal audit; and
  - (d) Policy and standard operating procedures documentation.
- (9) Ensure the independence of external auditors by periodically reviewing the written statement from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

### 7.3 Internal Audit

- (1) Ensure the internal audit function is independent of the activities it audits and the head of internal audit reports functionally to the AC directly. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.
- (2) Approve the internal audit charter and review the adequacy of the scope, functions, competency, budget and resources of the internal audit function and whether it has the necessary authority to carry out its work.



- (3) Review the internal audit plan, processes and results of the internal audit assessments, investigation undertaken and where necessary, ensure that appropriate and prompt action is taken by management on deficiencies in controls or procedures that are identified for the recommendations of the internal audit function.
- (4) Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff member or the internal audit service provider with an opportunity to submit his reasons for resigning.
- (5) Review the assistance and co-operation given by the employees of the Company to the internal auditors.
- (6) Review the performance of the internal auditors on an annual basis.
- (7) Direct and, where appropriate, supervise any special projects or investigations to be carried out by internal auditors as and when necessary, and review investigation reports on any major defalcations, frauds and thefts and management's response.
- (8) Review the adequacy and effectiveness of internal control systems, including management information systems and the internal auditors and or external auditors' assessment of these systems and policies.
- (9) Approve any appointment or termination of the internal audit service provider or senior staff members of the internal audit function, namely the head of internal audit and his/her deputy, if any.

#### 7.4 **Financial Reporting**

- (1) Review the quarterly and year-end financial statements of the Company, focusing particularly on the following to determine whether the financial statements taken as a whole provide a true and fair view of its financial position and performance:
  - (a) any changes in or implementation of major accounting policies changes and practices;
  - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events and/or transactions, significant adjustments arising from the audit and how these matters are addressed;



- (c) litigation or actions that could affect the financial position, performance or results materially;
  - (d) the going concern assumption;
  - (e) integrity of financial statements; and
  - (f) compliance with accounting standards and other legal requirements.
- (2) Review and monitor the Company's and the Group's finance function in respect of adequacy and sufficiency to support financial recording and reporting process to ensure accurate, complete, consistent and timely reporting.

#### 7.5 Internal Control

- (1) Oversee the Group's internal control framework to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance.
- (2) Review major audit findings (including the status of previous audit recommendations) of the Group's systems of internal controls and management's responses with management, external auditors, internal auditors and other consultants (if applicable).
- (3) Report to the Board any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- (4) Review and approve policies and procedures on whistle-blowing established to address allegations raised by whistle-blowers, to ensure independent investigation is conducted and follow-up action is taken and highlighted to the Committee.
- (5) Review and approve policies and procedures on anti-corruption, and
- (6) Review the effectiveness of anti-corruption measures taken.



## 7.6 Compliance and Others

- (1) Review procedures in place to ensure the effectiveness of the system for monitoring compliance to ensure that the Group is in compliance with the Companies Act 2016, MMLR and other relevant legislative and reporting requirements under the applicable laws, regulations, rules, directives and guidelines.
- (2) Review the Committee's reporting and the statement with regard to the state of internal controls and risk management of the Group for inclusion in the Annual Report for the relevant financial year and report the same to the Board.
- (3) Review and verify the allocation of options to eligible Directors and employees pursuant to any employee share option scheme, if any, by close of the relevant financial year.
- (4) Review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts and ensure that any such transaction is carried out at arm's length, on terms that are not detrimental to the Company and in the best interest of the Group and report the same to the Board.
- (5) Review and report to the Board any related party transactions entered into by the Group including the review and monitoring of recurrent related party transactions to ensure that:
  - (a) All transactions are fair, reasonable and undertaken on the Group's normal commercial terms.
  - (b) Internal control procedures with regards to such transactions are sufficient and have been complied with.
  - (c) Compliance with the relevant provisions of MMLR.
- (6) Direct and supervise, as appropriate, any necessary investigations and review all reports on any major irregularities.
- (7) Review and assess the Committee's terms of reference as conditions dictate.



- (8) Perform any other work that is required or empowered to do by statutory legislation or guidelines as prepared by the relevant government authorities.
- (9) Undertake any other responsibilities as authorised by the Board.
- (10) Undertake continuous professional development or training to keep abreast with relevant developments in accounting and auditing standards, practice and rules or in any other relevant areas.

## **8. Reporting**

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- 8.1 The Chairman of the Committee shall, at the conclusion of each meeting, report to the Board on activities that it had undertaken and key recommendations for the Board's consideration and approval as well as follow-up status on any key recommendations from previous internal audits.
- 8.2 Where the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of MMLR, the Committee shall promptly report such matter to Bursa Securities.

## **9. Review of the Committee**

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- 9.1 The AC shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in these terms of reference and report the results to the Board.
- 9.2 The Board or the Nomination Committee (as authorised by the Board) must review the term of office and performance of the AC and each of its members at least once annually to determine whether the AC and members have carried out their duties and responsibilities effectively and in accordance with the terms of reference of the AC and ensure that the AC has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.
- 9.3 All assessments shall be properly documented.



## 10. Disclosure

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- 10.1 The AC is required to prepare an annual Audit Committee Report (“**AC Report**”) at the end of each financial year to be included and published in the Annual Report of the Company. The AC Report shall include all the prescribed information as stated under para 15.15 of the MMLR:
- (a) the composition of the audit committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
  - (b) the number of audit committee meetings held during the financial year and details of attendance of each member;
  - (c) a summary of the work of the audit committee in the discharge of its functions and duties for that financial year of the listed issuer and how it has met its responsibilities; and
  - (d) a summary of the work of the internal audit function.
- 10.2 The AC shall assist the Board in making the following additional statements in the Company’s Annual Report:
- (a) Statement explaining the Board’s responsibility for preparing the annual audited financial statements of the Group; and
  - (b) Statement on the state of internal controls and risk management and sustainability reporting of the Group.

## 11. Revision to the Terms of Reference

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- 11.1 The terms of reference shall be reviewed by the Committee as and when required. All amendments to the terms of reference must be approved by the Board.
- 11.2 Upon the Board’s approval, the said revision or amendment shall form part of this terms of reference and these terms of reference shall be considered duly revised or amended.
- 11.3 The terms of reference of the AC must be made available on the Company’s website.





- 11.4 The provisions under these terms of reference have been drafted in a manner to also incorporate the provisions under the MMLR and other statutes, regulations and guidelines applicable to the AC. In the event the applicable provisions of the MMLR and/or relevant governing statutes, regulations and guidelines relating to AC are from time to time amended, modified or varied, such amendments, modifications and variations shall be deemed inserted herein whereupon this Terms of Reference shall be read and construed subject to and in accordance with the amended, modified or varied MMLR, statutes, regulations and guidelines.