

DOLPHIN INTERNATIONAL BERHAD

[Registration no. 201201016010 (1001521-X)]

(Incorporated in Malaysia)

AUDIT AND RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

1. Objectives

The primary objectives of the Audit and Risk Committee (“ARC”) are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Company and its subsidiaries.

In addition, the ARC shall assist the Board:-

- (a) in complying with specified accounting standards and required disclosures as administered by Bursa Securities, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- (b) in presenting a balanced and understandable assessment of the Company’s financial position and prospects;
- (c) in establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company’s auditors and overseeing and appraising the quality of audit conducted by the Company’s internal and external auditors; and
- (d) in determining the adequacy of the Group’s administrative, operating and accounting controls.

2. Composition

The ARC shall be appointed by the Board from its members pursuant to a resolution of the Board and must fulfil the following requirements:-

- (a) The ARC must comprise at least three (3) members, consisting wholly non-executive Directors and a majority of whom are independent.
- (b) At least one (1) member must be a member of the Malaysian Institute of Accountants or a person who fulfils the requirements as stated in the Main Market Listing Requirements (“MMLR”).
- (c) The Chairman must be an Independent Non-Executive Director.
- (d) No alternate Director shall be appointed as a member of the ARC.
- (e) In the event of any vacancy resulting in non-compliance of the minimum of three (3) members, the Board shall upon the recommendation of the Nomination Committee, appoint such number of Directors to fill up such vacancy within three (3) months of the event.

All members of the ARC, including the Chairman, will hold office only so long as they serve as Directors of the Company. The Board must review the term of office and performance of the ARC, and each of its members, once every year to determine whether the ARC has carried out its duties in accordance with its Terms of Reference.

3. SECRETARY

The Secretaries of the Company shall be the Secretaries of the ARC.

4. MEETINGS

- (a) The ARC shall hold at least four (4) regular meetings per year, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. Additional meetings may be called at any time, at the discretion of the Chairman of the ARC.
- (b) The quorum for a meeting shall be two (2) members of the ARC, who must both be Independent Non-Executive Directors.
- (c) The Chief Executive Officer and other appropriate officer(s) may be invited to attend where their presence are considered appropriate as determined by the ARC Chairman. Other Board members, employees of the Company and representatives of the External Auditors may attend meetings upon the invitation of the ARC.
- (d) The Internal Auditors have the right to appear and be heard at any meeting of the ARC. The ARC shall meet at least twice a year with the External and Internal Auditors without the presence of executive Board members and the Senior Management. Upon the request of the Internal Auditors and/or External Auditors, the ARC Chairman shall also convene a meeting of the ARC to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- (e) Subject to paragraph (a) above, in appropriate circumstances, the ARC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as if it had been passed at a meeting of the ARC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members. To be tabled for notation at the next Committee meeting.

5. AUTHORITY

In carrying out its duties and responsibilities, the ARC shall have the following rights:

- (a) the explicit authority to investigate any matter within its Terms of Reference;
- (b) access to the resources which are required to perform its duties;
- (c) full, free and unrestricted access to any information, records, properties and personnel of the Group;
- (d) direct communication channels with the External and Internal Auditors;
- (e) ability to obtain independent professional or other advice at the Company's costs, and to invite external parties with relevant experience to attend the ARC meetings, if required, and to brief the ARC thereof;
- (f) ability to convene meetings with External and Internal Auditors, or both, whenever deemed necessary, excluding the attendance of other Directors and employees of the Company;
- (g) promptly report to Bursa Securities where a matter reported by the ARC to the Board has not been satisfactorily resolved resulting in a breach of the MMLR; and
- (h) the attendance of any particular ARC meeting by other Directors and employees of the Company shall be at the ARC's invitation and discretion, and specific to that relevant meeting only.

6. RESPONSIBILITIES AND DUTIES

In fulfilling its primary objectives, the ARC undertakes, amongst others, the following responsibilities and duties:-

External Audit

- a) To consider the nomination and appointment of External Auditors; and to consider the adequacy of experience and resources of the External Auditors and determine the audit fee;
- b) To review any letter of resignation from the External Auditors and any questions of resignation or dismissal;
- c) To discuss with the External Auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- d) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to the External Auditors;
- e) To review with the External Auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- f) To review whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment; and
- g) Discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the External Auditors. The contracts which cannot be entered into should include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.

Internal Audit

- a) To review the following in respect of internal audit:-
 - adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
 - the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function; and
 - review and approve any appointment, termination or resignation of the firm of internal auditors.

Risk Management

- a) Review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employees involved in the risk management process;
- b) Review the effectiveness of internal control systems deployed by the Management to address those risks;
- c) Review and recommend corrective measures undertaken to remedy failings and/or weaknesses;

- d) Review and further monitor principal risks that may affect the Group directly or indirectly and, if deemed necessary, recommend additional course of action to mitigate such risks;
- e) Communication and monitoring of risk assessment results to the Board; and
- f) Actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting the Group.

Others

- a) To review the quarterly reporting to the Bursa Securities and year end annual financial statements of the Group before submission to the Board, focusing on:-
 - compliance with accounting standards and regulatory requirements;
 - any major changes in accounting policies and practices; and
 - significant and unusual items and events as well as significant adjustments arising from the audit.
- b) To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- c) Review the statement with regard to the state of risk management and internal controls of the Group for inclusion in the Annual Report and report the same to the Board;
- d) Oversee the Company's internal control structure 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;
- e) To promptly report to Bursa Securities if it 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; and
- f) To consider any other functions as may be agreed between the ARC and the Board.