

MPHB CAPITAL BERHAD

Registration No. 201201025763 (1010253-W)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. POLICY

In compliance with Chapter 15 of the Listing Requirements of the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”), it is the policy of MPHB Capital Berhad (“MPHB Capital” or “the Company”) to establish an Audit Committee as an integral part of its corporate framework and play a crucial role in the concept of corporate accountability and sound governance process within the MPHB Capital Group.

2. OBJECTIVES

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the activities of the Group:-

- (a) assess the risk and control environment;
- (b) oversee financial reporting;
- (c) evaluate the internal and external audit processes, including issues relating to the system of internal control, risk management and governance; and
- (d) review conflict of interest situations and related party transactions.

3. COMPOSITION OF AUDIT COMMITTEE

3.1 Members

The Audit Committee shall be appointed by the Directors from amongst their members (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- (a) the Audit Committee shall comprise no fewer than three (3) members;
- (b) all the Audit Committee members must be non-executive directors, with a majority of them being independent directors;
- (c) at least one (1) member of the Audit Committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if not a member of the Malaysian Institute of Accountants, must have at least three (3) years’ working experience; and
 - (aa) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - (bb) must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967;

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- (iii) have either one of the following qualifications and at least three (3) years' post-qualification experience in accounting or finance:
 - (aa) has a degree/masters/doctorate in accounting or finance; or
 - (bb) is a member of any professional accountancy organization which has been admitted as a full member of the International Federation of Accountants; or
- (iv) must have at least seven (7) years' 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
- (v) fulfils such other requirements as prescribed or approved by Bursa Securities;
- (d) no alternate director shall be appointed as a member of the Audit Committee;
- (e) no former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.) shall be appointed as a member of the Audit Committee before first observing a cooling-off period of at least three (3) years;
- (f) any vacancy, which affects the composition, must be filled within three (3) months.

3.2 Chairman

The members of the Audit Committee shall elect a Chairman, from among their members, who shall be an independent non-executive director.

3.3 Secretary

The Company Secretary ("Secretary") of MPHB Capital Berhad shall serve as Secretary of the Audit Committee.

3.4 Review of Composition of Audit Committee

The Nomination Committee shall review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

4. MEETINGS AND REPORTING PROCEDURES

- (a) The Audit Committee shall meet as often as the Chairman deems necessary but not less than four (4) times a year, with each meeting planned to coincide with key dates in the Company's financial reporting cycle.
- (b) The Audit Committee shall meet with the external auditor to discuss any matters with the Committee without the presence of Executive Board members and employees of the Company, whenever deemed necessary.
- (c) The Chairman of the Audit Committee shall engage continuously with senior Management, such as the Chairman, the Group Managing Director, the Chief Operating Officer, the Head of Finance, the Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Group.

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- (d) To form a quorum in respect of a meeting of the Audit Committee, the majority of its members present at the meeting must be independent non-executive directors.
- (e) The Secretary is responsible for :-
 - (i) drawing up the agenda together with the Chairman, and circulating it, supported by explanatory documentation, to the committee members prior to each meeting;
 - (ii) recording attendance of all members and invitees;
 - (iii) recording all proceedings, and preparing and keeping minutes of all meetings; and
 - (iv) circulation of the minutes to all Board members at each Board meeting.
- (f) The Audit Committee shall regulate the manner of proceeding of its meetings, having regard to normal conventions on such matter.
- (g) The Head of Finance and the Head of Group Internal Audit should normally attend meetings upon invitation of the Committee. Other directors, employees and representatives of the external auditor shall attend any particular Audit Committee meeting only at the committee's invitation, specific to the relevant meeting.
- (h) The Audit Committee shall prepare an annual report to the Board that provides a summary of the committee's activities for inclusion in the Company's annual report.

5. AUTHORITY OF THE AUDIT COMMITTEE

The Audit Committee shall have the authority to:

- (a) investigate any matter within its terms of reference and all employees are directed to cooperate with any request made by the Committee;
- (b) have the resources which are required to perform its duties.;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) obtain, at the expense of the Company, outside legal or other independent professional or other advice it considers necessary;
- (f) 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;
- (g) report promptly any breaches of the Listing Requirements, which have not been satisfactorily resolved by the Board, to the Bursa Securities; and
- (h) convene a meeting, upon request of the external auditors, to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

6. FUNCTIONS OF THE AUDIT COMMITTEE

In fulfilling its primary objectives, the Audit Committee shall undertake the following responsibilities and duties and report to the Board of Directors:

- (a) Review the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - (i) changes in or implementation of major accounting policies and practices;
 - (ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
 - (iii) going concern assumption; and
 - (iv) compliance with accounting standards, regulatory and other legal requirements.
- (b) Review/recommend the nomination, appointment, re-appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendation to the Board; and evaluate if there is reason (supported by facts) to believe that the Company's external auditors are not suitable for re-appointment.
- (c) Review/discuss with the external auditors:
 - (i) the audit scope and plan, including any changes to the planned scope of the audit plan, and ensure co-ordination where more than one audit firm is involved;
 - (ii) its evaluations of the system of internal controls;
 - (iii) the results of the interim (if any) and final audits and the Management's response thereto, including the status of previous audit recommendations;
 - (iv) problems and reservations arising from the interim (if any) and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
 - (v) the assistance given by the employees to the external 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.
- (d) Establish an internal audit function which is independent of the activities it audits and oversee its function as follows:
 - (i) the Head of Internal Audit shall report directly to the Audit Committee;
 - (ii) review the adequacy of the internal audit scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (iii) review the internal audit department's progress of audit activities, the results of the internal audit activities or investigation undertaken, and whether or not appropriate action is taken on the recommendations of the internal audit function, including management's response;

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- (iv) review any appraisal or assessment of the performance of members of the internal audit function;
- (v) approve any appointment, transfer or termination of senior staff members of the internal audit function and take cognizance of resignations and providing the resigning members an opportunity to submit reasons for resigning.
- (e) 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 raise questions of management integrity.
- (f) Direct, and where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- (g) Carry out any such other functions as authorized by the Board of Directors.