

MULPHA INTERNATIONAL BHD

(Company No. 19764-T)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. CONSTITUTION

The Audit Committee (“AC”) was established pursuant to a resolution of the Board of Directors (“the Board”) passed on 28 July 1994.

2. COMPOSITION

The AC shall be appointed by the Board from amongst the Directors of the Company. The AC shall comprise not less than 3 members. All the members must be Non-Executive Directors, with a majority of them being Independent Directors. At least one member of the AC must be a member of the Malaysian Institute of Accountants or fulfil such other requirements as prescribed or approved by the Exchange. One of the members of the AC who is an Independent Director shall be appointed Chairman of the AC by the members of the AC.

3. MEETINGS AND MINUTES

The AC shall meet at least 4 times a year. The quorum shall be at least 2 members, the majority of whom shall be Independent Directors. The AC may request any member of the management and representatives of the external auditors to be present at meetings of the AC. Minutes of each AC meeting are to be prepared and distributed to each member of the AC and the Board. The Company Secretary or his Assistant shall be the Secretary of the AC.

4. AUTHORITY

The AC is authorised by the Board:-

- (a) to investigate any activity of the Company and its subsidiaries within its terms of reference;
- (b) to seek any information it requires from any employee for the purpose of discharging its functions and responsibilities and all employees are directed to cooperate with any request made by the AC;

- (c) to obtain legal or other independent professional advice and to secure the attendance of outsiders with the relevant experience and expertise if it considers it necessary to do so; and
- (d) to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company and its subsidiaries, whenever deemed necessary.

5. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the AC shall be as follows and will cover the Company and its subsidiaries:-

- (a) to consider the appointment of external auditors, their terms of appointment and reference and any questions of resignation or dismissal;
- (b) to review with the external auditors their audit plan, scope and nature of audit;
- (c) to review the quarterly and annual financial statements before submission to the Board;
- (d) to review and assess the adequacy and effectiveness of the systems of internal control and accounting control procedures by reviewing the external auditors' management letters and management response;
- (e) to hear from and discuss with the external auditors any problem and reservation arising from their interim and final audits or any other matter that the external auditors may wish to highlight;
- (f) to review the internal audit programme, consider the findings of internal audit and the actions and steps taken by management in response to such findings and ensure coordination between the internal and external auditors;
- (g) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (h) to review related party transactions entered into by the Company and the Group to ensure that such transactions are undertaken on the Group's normal commercial terms and that the internal control procedures relating to such transactions are adequate;
- (i) to review the process for identifying, evaluating, monitoring and managing significant risks;
- (j) to undertake such other responsibilities as may be delegated by the Board from time to time; and
- (k) to report to the Board its activities and findings.