

MUDAJAYA GROUP BERHAD (605539-H)
TERMS OF REFERENCE OF AUDIT COMMITTEE

Composition

1. The Audit Committee shall be appointed by the Board from amongst its Directors (except for alternate directors) who fulfills the following requirements:
 - a. the Audit Committee shall comprise of no fewer than three (3) members;
 - b. all members of the Audit Committee shall be non-executive directors, with a majority of them being independent directors; and
 - c. all members of the audit committee should be financially literate and at least one member of the Audit 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) shall fulfill such other requirements as prescribed or approved by Bursa Securities Malaysia Berhad ("Bursa Securities").
2. No alternate director of the Board shall be appointed as a member of the Audit Committee.
3. The members of the Audit Committee shall select a chairman from among their number who shall be an independent director.
4. The Board shall within three (3) months of a vacancy occurring in the Audit Committee which result in the number of members reduced below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.
5. The Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three years.

Rights

The Audit Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company:

- a. have 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 pertaining to the Company and Group;
- d. have direct communication channels with the External and Internal Auditors, as well as employees of the Group;
- e. be able to obtain independent professional or other advice; and
- f. convene meetings with the external auditors at least twice a year, excluding the attendance of other Directors and employees of the Group.

Functions

The functions of the Audit Committee shall include a review of the following:

Governance

- a. the Management's compliance with laws, regulations, established policies, plans and procedures.
- b. any related party transactions 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.
- c. procedures in place to ensure that the Group complies with the Companies Act, 1965, Bursa Securities Listing Requirements and other legislative and reporting requirements.

Financial Reporting

- a. 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 policy changes;
 - ii. significant and unusual events;
 - iii. compliance with accounting standards and other legal requirements; and
 - iv. the going concern assumption.

External Audit

- a. with the external auditors, the scope of their audit plan, their evaluation of the system of internal control and the audit reports on the financial statements.
- b. the assistance given by the employees of the Company to the external auditors.

- c. the selection, re-appointment, remuneration, resignation or dismissal of the external auditors.
- d. to review the external auditor's management letter and management's response.
- e. to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).
- f. the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.

Internal Audit

- a. the adequacy of the scope, functions, competency and resources of the Internal Audit function and the authority necessary to carry out its work.
- b. the internal audit program, processes and the results of the internal audit work, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit function.
- c. major audit findings and the management's responses during the year with management, external auditors, including the status of previous audit recommendation.
- d. approve any appointment or termination of senior staff members of the internal audit function;
- e. take cognizance of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resigning.
- f. any appraisal or assessment of the performance of the members of the internal audit function.
- g. the adequacy and integrity of internal control system, including enterprise risk management, management information system, and the internal auditors and/or external auditors' evaluation of the said system.

ESOS

- a. verifying the allocation of options under the Employee Share Option Scheme (ESOS) as compliant with the disclosed criteria for allocation of options, at the end of each financial year, if applicable.

Risk Management

- a. the annual enterprise risk profile of the group (including risk registers) and evaluate the Risk Manager's risk assessments of the group and his/her plans to mitigate business risks as identified from time to time.

Meetings

Meetings of the Audit Committee shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Audit Committee. The Chairman shall convene a meeting whenever any member of the Audit Committee requests for a meeting by giving seven (7) days notice thereof unless such requirement is waived by all members. Written notice of the meeting together with the agenda shall be given to the members and external auditor where applicable.

However, consent from members who are overseas is not required. The quorum for a meeting for the Audit Committee shall be two (2) provided always that the majority of members present must be independent directors.

Other Board members and employees may attend any particular meeting only at the Audit Committee's invitation.

The Company Secretary shall be the Secretary of the Audit Committee.

Reporting Procedures

The Secretary shall maintain minutes of the proceedings of the meetings of the Audit Committee and circulate such minutes to all members of the Board. Key issues discussed shall be reported by the Chairman of the Audit Committee to the Board.