MUHIBBAH ENGINEERING (M) BHD
Company No. 197201001137 (12737-K)
(Incorporated in Malaysia)

AUDIT COMMITTEE
TERMS OF REFERENCE

Objectives

The principal objective of the Committee is to assist the Board of Directors in carrying out its statutory duties and responsibilities relating to accounting and reporting practices of Muhibbah Engineering (M) Bhd and its subsidiaries.

In addition, the Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information provided by management is relevant, reliable and timely;
- oversee compliance with laws and regulations and observance of a proper code of conduct; and
- determine the adequacy of the Company's internal control system.

Membership

The audit committee shall be appointed by the Board of Directors from amongst its directors (except alternate directors) which fulfils the following requirements:

(a) the audit committee must be composed of no fewer than three (3) members;
(b) all the audit committee members must be non-executive directors, with a majority of them being must be independent directors; and
(c) 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 1 of the First 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 First Schedule of the Accountants Act, 1967.

  (iii) fulfils such other requirements as prescribed or approved by the Exchange.

The members of the audit committee shall elect a chairman from among themselves who is an independent director. If a member of the Audit Committee ceases to be a member which result in the number of members reduced to below three (3), the Board of Directors shall, within three (3) months of the event, appoint such number of new members as may be required to fill the vacancy. If there is any vacancy for Chairman of the Audit Committee, the Board of Directors shall within three (3) months appoint a new Chairman to fill the said vacancy.

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

Attendance at meetings

The Committee shall hold not less than four (4) times per year and such additional meeting as the Chairman shall decide in order to fulfil its duties.

The quorum for each meeting shall be two (2) members where a majority of the members present must be Independent Directors.

The Company Secretary shall act as Secretary of the Committee.

The Committee may invite any person to be in attendance at any particular Audit Committee meeting to assist in its deliberations.

Authority and Rights

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

- to investigate any matter within its terms of reference;
- to have the resources which are required to perform its duties;
- to have full and unrestricted access to any information pertaining to the Company;
- to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- to be able to obtain independent professional or other advice;
- to be able to 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.

Duties

The duties and scope of work of the Committee shall be:

1. To review the following and report the same to the Board of Directors:
   (a) with the external auditors, the audit plans, their evaluation of the system of internal controls and the audit reports.

   (b) the assistance given by the employees to the external auditors.

   (c) the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.

   (d) the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations.

(f) the quarterly results and year-end financial statements before the approval of the Board of Directors, focusing particularly on changes in or implementation of major accounting policy changes, significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed and compliance with accounting standards and other legal requirements.

(g) any related party transactions and conflict of interest situations that arose, persist or may arise within the Group or Company 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.

(h) ensure that the Group has adequate procedures and processes in place to monitor, track and identify recurrent related party transaction and conflict of interest/potential conflict of interest, and through internal auditor, review these procedures.

(i) any letter of resignation from the external auditors of the listed issuer.

(j) whether there is reason (supported by grounds) to believe that the listed issuer's external auditor is not suitable for re-appointment.

2. To recommend the nomination of a person or persons as External Auditors.

3. To ensure that the Audit Committee Report is prepared at the end of each financial year for inclusion in the Annual Report of the Company. The Audit Committee Report shall comprise:

(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 Audit Committee member.

(c) a summary of the work of the Audit Committee in the discharge of functions and duties for that financial year of the Company and how it has met its responsibilities.

(d) a summary of the work of the internal audit function.

(e) a summary of any conflict interest or potential conflict of interest situation reviewed by audit committee pursuant sub-paragraph 1 (g) (excluding a related party transaction), and the measures to resolve, eliminate, or mitigate such conflicts.

5. To promptly report to Bursa Malaysia Securities Berhad any matters reported by the Audit Committee to the Board of Directors which have not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad.

Proceedings of the Audit Committee

Calling of meetings
Meetings of the 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 Committee. The Secretary shall on the requisition of a member and external auditor (where applicable) summon a meeting of the Audit Committee.

Notice of meeting
Written notice of the meeting together with the agenda shall be given to all the members of the Committee and external auditor (where applicable) in writing via email, hand delivery or by courier service. Unless otherwise determined by the Audit Committee from time to time, seven (7) days' notice shall be given, except in the case of an emergency where shorter notice may be given.

Voting and proceeding of meetings
The quorum for a meeting of the Committee shall be two (2) provided always that the majority of members present must be independent directors.The decision of the Audit Committee shall be by a majority of votes and the determination by a majority of the members shall for all purposes be deemed a determination of the Audit Committee. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

Circular Resolutions signed by all the members shall be valid and effective as if it had been passed at a meeting of the Audit Committee.

Keeping of minutes
The members shall cause minutes to be made of all meetings of the Audit Committee. Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

Custody, production and inspection of minutes
The minutes of meetings of the Audit Committee shall be kept by the Secretary at the registered office of the Company, and shall be open to the inspection of any member of the Committee or any member of the Board of Directors.

Internal Audit

An internal audit function independent of activities of Group is established and reports directly to the audit committee.