

MSM MALAYSIA HOLDINGS BERHAD

AUDIT COMMITTEE TERMS OF REFERENCE

I COMPOSITION

1. The Committee shall consist of at least three (3) members comprising a Chairman and two (2) members, all of whom shall be duly appointed by the Board.
2. All members shall be non executive directors with a majority of them being independent directors.
3. At least one of the Committee members shall be:
 - (i) a member of the Malaysian Institute of Accountants (MIA); or
 - (ii) if he is not a member of MIA, he must have at least 3 years working experience and
 - (aa) he must have passed the examinations specified in Part I 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.
4. Subject to review by the Board, the term of appointment of the members of the Committee shall be for a period of two (2) years each or such other period as the Board in its discretion shall deem fit. Notwithstanding the foregoing, the membership of any member shall automatically terminate in the event that the member ceases to be a non executive director in accordance with paragraph 2 above.
5. Chairman of Audit Committee shall be appointed among the committee members who is an independent director.
6. The Company Secretary shall be the Secretary of the Committee.

II MEETINGS

1. At least two (2) members, including the Chairman must be present during each meeting to form a quorum necessary to transact any business of the Committee.
2. Notice of Meeting will be distributed to the committee members at least one (1) week prior to the scheduled meeting.
3. The Company's External Auditors may request for a meeting to be convened if they so require. The Chairman of the Audit Committee must hold a committee meeting to consider the agendas tabled by the Company's External Auditors for the attention of the Board and the shareholders, as the case may be.
4. Any member of the Committee may request for a special meeting at any time if so required.
5. The Secretary will distribute the minutes of meeting to all members of the Audit Committee.
6. The Chief Financial Officer of the Company and the Head of the Internal Audit together with representatives of the Company Auditors may attend the meetings of the Audit Committee on the invitation of the committee. Other members of the Board and key management personnel may also attend the meeting as the Committee shall deem fit and necessary.

III. SCOPE AND FUNCTIONS OF THE AUDIT COMMITTEE

The Audit Committee performs, among others, the following functions:

(i) External Audit

- To consider the appointment of the external auditors, the audit fees and any question in relation to resignation or dismissal of the external auditors before making recommendation to our Board; and
- To review and discuss with the external auditors, before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;

(ii) Internal Audit

- To review the internal audit plan, consider the major findings of internal audits and management's responses, and ensure coordination between the internal and external auditors;
- To review 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;
- To review the audit reports;
- To direct and where appropriate supervise any special project or investigation considered necessary;
- To prepare periodic reports to the Board summarising the work performed in fulfilling Audit Committee primary responsibilities; and
- To determine the remit of internal audit function which report directly to Audit Committee. The internal audit function should be independent of the activities they audit and should be performed with impartially, proficiency and due professional care.

(iii) Financial Reporting Review

- To review with management and external auditors the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
 - any change in accounting policies and practices;
 - significant and unusual events;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - compliance with accounting standards; and
 - compliance with other legal requirements and Bursa Securities LR;

(iv) Related Party Transactions

- To review any related party transaction and conflict of interest situation that may arise in the Company including any transaction, procedure or course that raises questions of management integrity;

(v) Internal Control

- To keep under review of effectiveness of internal control systems and the internal and/or external auditors' evaluation of these systems.

(vi) Other Matters

- To arrange for periodic reports from the management, the external auditors and the internal auditors to assess the impact of significant regulatory changes and accounting or reporting developments proposed by accounting and other bodies, or any significant matter that may have a bearing on the annual examination;
- To discuss problems and reservation arising from the internal audit, interim and final audits, and matters the internal and external auditors may wish to discuss (in the absence of the management where necessary);
- Where Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities LR, the Audit Committee must promptly report such matter to the Securities Commission; and
- Carrying out any other functions that may be mutually agreed upon by the Audit Committee and the Board.

END OF TERMS OF REFERENCES