

EXCEL FORCE MSC BERHAD

[Registration No. 200201003114 (570777-X)]

(Incorporated in Malaysia)

TERMS OF REFERENCE FOR AUDIT COMMITTEE

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee was formed pursuant to a resolution passed by the Board of Directors on 17th November 2004.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Objective

The objective of the Audit Committee is to assist the Board in fulfilling its responsibilities for the accounting and internal control systems, the financial reporting procedures, the audit process and compliance with the Listing Requirements.

2. Membership

The Board from among its members shall appoint the Audit Committee that fulfils the following requirements:-

- a) The Audit Committee must be composed of no fewer than 3 members.
- b) A majority of the Audit Committee members must be independent directors.
- c) All members of the Audit Committee should be able to read, analyze and interpret financial statements. At least one of them:-
 - (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 Accountant Act, 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.

Note:

“Other requirements as prescribed by the Exchange” is explained in Para.7 of the Guidance Note 9/2006 as “Requisite Qualifications” as follows:

- (aa) a degree/masters/doctorate in accounting or finance and at least 3 years’ post qualification experience in accounting or finance;
- (bb) at least 7 years’ experience being a chief financial officer of a company or having the function of being primarily responsible for the management of the financial affairs of a company;
- d) The members of the Audit Committee shall elect a Chairman among their number who shall be an independent director.
- e) No alternate director is appointed as a member of Audit Committee.
- f) If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new member as may be required to make up the minimum number of 3 members.
- g) A former partner of the external audit firm to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

3. Meetings

Meetings shall be held as and when the Audit Committee deems necessary.

A minimum of two members present shall form a quorum, both of whom present shall be independent Non-Executive Directors. In the event that the Chairman is unable to attend a meeting, a member of the Audit Committee shall be nominated as Chairman of the meeting. The nominated Chairman shall be an Independent Director.

The Committee may invite other directors and employees to the meeting to brief the Audit Committee on issues that are incorporated into agenda.

4. Authority

The Committee shall, in accordance with a procedure to be 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 adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Group in performing its duties;
- c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- d) be able to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary; and
- e) 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.

5. Duties and Responsibilities

The duties and responsibilities of the Audit Committee shall be:-

- a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;
- b) To review with the external auditors, the audit plan and audit report;
- c) To review with the external auditor, his evaluation of the system of internal controls;
- d) To review the assistance given by the employees of the Company to the external auditor;
- e) 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;
- f) To review the internal audit programme, processes, the results of the internal audit programmed, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- g) To 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 policy changes;

- (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;
- h) To review any related party transaction and conflict of interest situation that arose, persist or may arise within the listed company or group 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;
- i) To review whether there is reason (supported by grounds) to believe that the listed company's external auditor is not suitable for re-appointment;
- j) To verify the allocation of options pursuant to a share scheme for employees at the end of each financial year; and
- g) To review the adequacy and effective of risk management and internal control system.

6. REVIEW OF TERMS OF REFERENCE FOR AUDIT COMMITTEE

- 6.1 Where necessary, this Terms of Reference will be reviewed and updated to ensure it remains consistent with the Audit Committee's objectives and responsibilities.