

**MABUHAY HOLDINGS CORPORATION**  
**AUDIT COMMITTEE CHARTER**

	Contents	Page
I.	Objective	1
II.	Composition and Qualifications of Committee Members	1
III.	Meetings	1
IV.	Responsibilities of the Audit Committee	2
V.	Performance Evaluation and Continuous Improvement	3
VI.	Management Support	3

## **I. Objective**

Pursuant to Article 3 of the New Manual of Corporate Governance of Mabuhay Holdings Corporation ("MHC" or the "Corporation"), the Board of Directors shall constitute an Audit Committee to aid in complying with the principles of good corporate governance.

The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities particularly in relation to financial reporting integrity, internal control, risk management, and corporate standards of behavior.

To fulfill this responsibility, the Audit Committee shall maintain free and open communication with MHC's external auditors, its Board of Directors and its Management.

Further, in discharging its oversight role, the Audit Committee is empowered to conduct or authorize investigations into any matter within its scope of responsibility, and seek any information it requires, including from MHC's employees.

The Audit Committee shall review this charter annually and obtain the approval of MHC's Board of Directors for any revisions thereto or for any case where external bodies may suggest a change. Suggestions by such external bodies, however, are subject to the approval of the Audit Committee.

## **II. Composition and Qualifications of Committee Members**

The Audit Committee shall be composed of at least three (3) members who shall preferably have accounting and finance backgrounds. One of the members shall be an Independent Director who shall be the Chairman of the Audit Committee.

## **III. Meetings**

The Audit Committee shall meet at least once a quarter, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in this Charter.

Members of the Audit Committee are expected to attend each committee meeting, in person or via telephone or videoconference. The Audit Committee may invite other individuals, such as members of Management, auditors, lawyers, or other technical experts, to attend meetings and provide pertinent information, as necessary.

The Audit Committee shall meet with MHC's external auditor to discuss the Corporation's annual financial statements.

Meeting agendas shall be prepared for every meeting and provided to the Audit Committee members, along with briefing materials, five (5) business days before the scheduled Audit Committee meeting. The notices of such meetings shall be sent by the Chairman of the Audit Committee.

The presence of a majority of the members of the Audit Committee, in person or via telephone or videoconference, shall be required to constitute a quorum for the purpose of conducting business. The Audit Committee shall act only on the affirmative vote of a majority of its members.

Minutes of these meetings shall be recorded.

#### IV. Responsibilities of the Audit Committee

The Audit Committee is expected, through the provision of checks and balances, to support the corporate governance process of MHC. Specifically, the Audit Committee has the following responsibilities:

1. Provide oversight over senior Management's activities in managing credit, market, liquidity, operational, legal and other risks of MHC. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
2. Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
3. Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
4. Review the appointment of an independent external auditor, the audit fees and any question of resignation or dismissal. Before the audit commences, the Audit Committee shall discuss with the external auditor the nature and scope of the audit.
  - 4.1. The Audit Committee, acting for the Board of Directors, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which financial statements shall have been prepared and presented;
  - 4.2. Such external auditor cannot, at the same time, provide the services of an internal auditor to the same client. Other non-audit work should not be in conflict with the functions of the external auditor;
  - 4.3. Consistent with the Amended Implementing Rules and Regulations of the Securities Regulation Code, SRC Rule 68, as amended, the external auditor or the handling partner should be changed every five (5) years or earlier;
  - 4.4. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with the former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of the former auditor, would have caused reference to the subject matter of the disagreement in connection with its report;
  - 4.5. If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement are incorrect and incomplete, he shall also present his views in the said reports;
5. Consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal, which shall follow the procedure laid down for external auditors provided in the next preceding subsection;
6. Monitor and evaluate the adequacy and effectiveness of MHC's internal control system, including financial reporting control and information technology security;

7. Receive and review the reports of external auditors, regulatory agencies, where applicable, and ensure that MHC Management is taking appropriate corrective actions, in a timely manner, in addressing control and compliance functions with regulatory agencies;
8. Review the quarterly (SEC Form 17-Q) and annual financial statements (as part of SEC Form 17-A) before submission to the Board, focusing particularly on:
  - 8.1. Any change/s in accounting policies and practices;
  - 8.2. Major judgment areas;
  - 8.3. Significant adjustments resulting from the audit;
  - 8.4. Going concern assumption;
  - 8.5. Compliance with accounting standards;
  - 8.6. Compliance with tax, legal, and stock exchange requirements;
9. Coordinate, monitor and facilitate compliance with existing laws, rules and regulations;
10. Evaluate and determine non-audit work by the external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to MHC's total expenditure on consultancy. The non audit work should be disclosed in the annual report.

#### **V. Performance Evaluation and Continuous Improvement**

To ensure that the Audit Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the Revised Manual of Corporate Governance and other relevant regulatory requirements, the Audit Committee shall conduct an assessment of its performance at least annually. In this regard the Audit Committee shall:

1. As a body, evaluate its performance by filling up a self assessment worksheet that shall benchmark its practices against the expectations set out in this Charter; and
2. Based on the results of the self-assessment, formulate and implement plans to improve its performance. These shall include the identification of relevant training needs intended to keep the Audit Committee members up-to-date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern (e.g. emerging risks).

In addition, the Audit Committee shall obtain and subject itself to an independent assessment by the Board of Directors relative to its performance in accordance with expectations set out in this Charter and the discharge of its responsibilities as specified in the Audit Committee Calendar of Activities.

#### **VI. Management Support**

The management staff shall provide support to the Audit Committee in the rendition of its functions.