



MABUHAY VINYL CORPORATION



04 October 2012

MS. JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
Tower One and Exchange Plaza
Ayala Triangle Avenue, Makati City

Dear **Ms. Encarnacion**:

Re : **Mabuhay Vinyl Corporation**

In compliance with SEC Memorandum Circular No. 4, series of 2012, please be advised that Mabuhay Vinyl Corporation ("Corporation") has adopted an Audit Committee Charter ("Charter"). The Corporation shall be fully implementing the guidelines provided in the Charter. Likewise, the Corporation shall be conducting a formal assessment every year end to be able to evaluate the Corporation's compliance with the Charter.


JOSE O. JULIANO
Chairman, Audit Committee


MA. MELVA E. VALDEZ
Compliance Officer

MABUHAY VINYL CORPORATION AUDIT COMMITTEE CHARTER

This Charter defines the duties, responsibilities and objectives of the Audit Committee. This Charter also sets out the guidelines, standards and the rules of procedure governing the performance of the functions of the Committee.

This Charter shall be reviewed at least annually by the Committee to ensure that the same shall be updated to conform to the new rules and regulations issued by pertinent government agencies.

COMPOSITION

The Committee shall be composed of not less than three (3) directors, two of whom are independent directors. The Chair of the Committee shall be an independent director. Each member shall have adequate understanding or competence at most of the Corporation's financial management system and environment.

The Committee may engage the services of outside advisors in the performance of its duties.

COMMITTEE MEETINGS

The Committee shall meet at least quarterly or more, should the need arise. Notice of the meeting shall be sent to the members at least three (3) days prior to the scheduled meeting.

REPORT TO THE BOARD OF DIRECTORS

The Committee shall directly report to the Board of Directors.

The Committee shall submit a quarterly report to the Board to update the Board of the Committee's activities.

The Committee Chair shall also present an Annual Audit Committee Report to the Board during its first meeting following the immediate fiscal year end.

The Committee shall issue the necessary certifications on critical compliance issues as may be required.

ASSESSMENT/EVALUATION

The Committee shall conduct an annual self-assessment based on the attached self-assessment form (Annex "A"), using a quantitative rating of 1 to 10 with corresponding qualitative description for each rating, e.g. unsatisfactory, satisfactory, etc.

The assessment shall be documented and shall be validated by the Compliance Officer.

The Committee shall also coordinate with other divisions within the Company in order to gather their comments/feedback as to the Committee's performance. The Committee shall distribute an evaluation form to other units of the Corporation, particularly, the Management, internal auditor and external auditor.

TRAINING AND EDUCATION

The members of the Committee shall, if necessary, attend pertinent seminars to update themselves of current governance and audit rules/regulations and practices.

ROLES/RESPONSIBILITIES

The Committee shall have the following duties and responsibilities:

1. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
2. Provide oversight over Management's activities in managing risks;

3. Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
4. Review the reports submitted by the internal and external auditors;
5. Monitor compliance with laws, rules and regulations.

A. *On Financial Reporting and Disclosures*

The Committee shall, to the best of their knowledge and abilities:

1. Endeavor to have a complete understanding of the Corporation's business and the industry in which it operates;
2. Ensure compliance with financial reporting regulations;
3. Advise Management of its responsibility over the Corporation's financial statements;
4. Ensure that the following are implemented:
 - 4.1 Appropriateness of accounting policies adopted by Management
 - 4.2 Reasonableness of estimates, assumptions, and judgments used in the preparation of financial statements;
 - 4.3 Identification of material errors and fraud, and sufficiency of risk controls;
 - 4.4 Actions or measures in case of finding of error or fraud in financial reporting.
5. Review and assess the quarterly, half-year and annual financial statements and reports as to completeness, clarity, consistency and accuracy of disclosures of material information before submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Subsequent events
 - Unusual or complex transactions including related party transactions
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements

6. Review with the external auditor the impact of new accounting standards and interpretations;
7. Review/approve Management representation letter before submission to external auditor;
8. Whenever necessary, coordinate with the Corporation's legal counsel covering litigation claims, contingencies or other significant legal issues that impact on the financial statements; and
9. Monitor Management's assessment of correspondence between the Corporation and regulators regarding financial statement filings and disclosures.

B. Oversight on Risk Management and Internal Controls

1. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include discussion with Management and regular receipt from the Internal Audit Head of information on risk exposures and risk management activities;
2. Review the policies and procedures implemented by Management relative to risk identification, assessment and management and internal controls adopted by Management;
3. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security, and assess control environment including IT systems and functions. In addition, review with Management internal control issues raised by internal and external auditors;
4. Formulate a framework for fraud prevention and detection including whistle-blower program;
5. Deliberate on findings of weaknesses in controls and reporting processes;
6. Coordinate with Management on the preparation and implementation of a Business Continuity Plan; and
7. Promote risk awareness in the Corporation.

C. On Management and Internal Audit

1. Organize an internal audit department, and ensure the appointment of an independent Internal Audit Head and the terms and conditions of his/her engagement and removal; if necessary, outsource internal audit functions;
2. Review and recommend to the Board the appointment/replacement of the Internal Audit Head who shall report directly to the Committee, and ensure the independence of the internal audit group in the performance of its duties;
3. Evaluate Management and the Internal Audit Group on their compliance with the Corporation's Code of Conduct; meet with Management and Internal Audit Head quarterly to discuss audit and financial reporting issues;
4. Ensure compliance with International Standards on the Professional Practice of Internal Auditing;
5. Review/approve 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;
6. Establish and identify the reporting line of the internal auditor to enable him/her to properly fulfill his/her duties and responsibilities. He/she shall functionally report directly to the Committee. The Committee shall ensure that, in the performance of the work of the Internal Audit Head, he/she shall be free from interference by outside parties.
7. Review/update annually the Corporation's Internal Audit Charter.

D. On External Audit

1. Assess the independence and professional qualifications of the External Auditor, in compliance with the requirements under applicable law, rules and regulations, as well as review Auditor's compliance with auditing standards;
2. Prior to the commencement of the audit, discuss, review and recommend with the external auditor the nature, scope and fees of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
3. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non audit fees paid to the external auditor in relation to their significance in the total annual income of the external auditor and to the corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor, or

may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;

4. Discuss with Management and Auditor and act upon disagreements on audit issues/procedure;
5. Evaluate and act upon the findings of the External Auditor;
6. Evaluate Management's competence with respect to financial reporting activities, including aggressiveness and reasonableness of decisions;
7. Evaluate the performance of the External Auditor; recommend to the Board the appointment/replacement of External Auditor;
8. Communicate with the External Auditor regarding critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on audit work set by the management, and other material issues that affect the audit and financial reporting.

AMENDMENT

This Charter may be amended or altered upon approval thereof by the Committee.

APPROVED AND ADOPTED this ____ day of September 2012.


JOSE O. JULIANO
Chairman/Independent Director


RENATO M. MIGRIÑO
Independent Director


NORIYUKI HASHIMOTO


MELANIE S. BELEN