



PARAGON GLOBE BERHAD

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194801000095 (1713-A)

**TERMS OF REFERENCE
AUDIT COMMITTEE**

(VERSION 7.0)

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1. OBJECTIVE

To oversee the Company's financial reporting and internal control system.

2. COMPOSITION

- 2.1 The Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise exclusively of Non-Executive Directors, majority of whom are independent. No former key audit partner shall be appointed as its member except who has observe a cooling off period of at least three (3) years after the date of his engagement. No alternative director shall be appointed as a member of the Audit Committee.
- 2.2 The number of Committee members shall be a minimum of three (3), a majority of whom are independent directors.
- 2.3 All the Audit Committee Members should be financially literate with at least one member of the Audit Committee fulfilling the following requirements: -
 - (a) That he must be a member of the Malaysian Institute of Accountants (MIA); or
 - (b) That if he is not a member of MIA, he must have at least three years' working experience; and: -
 - (i) he must has passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - (ii) 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; or
 - (c) he must fulfil such other requirements as prescribed or approved by the Exchange.
- 2.4 The Nomination Committee must review the terms of office and performance of the Audit Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with the Terms of Reference. The Board shall, within three (3) months of a vacancy occurring in the chairmanship, elect a new Chairman from among their numbers who is an Independent Director.
- 2.5 In the event of any vacancy which results in non-compliance of Paragraph 15.09(1) and 15.10 of the Main Market Listing Requirements ("MMLR"), the vacancy shall be filled within three months. Therefore, a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he/she retire or resign. The membership of the Committee shall be terminated upon the cessation of him/her as a Director of the Company, or as determined by the Board.

3. QUORUM

- 3.1 Two (2) members shall form a quorum for meeting with the majority of the members shall be independent directors.

4. CHAIRMAN

4.1 The members of the Committee shall elect a Chairman from among the members who shall be an Independent Non-Executive Director and shall not be the Chairman of the Board. In the absence of the Chairman of the Audit Committee, the remaining members present shall elect one of the members as Chairman of the meeting.

4.2 The roles of the Committee Chairman are as follows: -

- a) Planning and conducting of meetings;
- b) Overseeing the reporting of any potential issues and other issues discussed in its meetings to the Board thereafter;
- c) Encouraging open discussion amongst its members and other invitees during meetings; and
- d) Maintaining active ongoing dialogue with Management and both Internal and External auditors.

5. SECRETARY

5.1 The Secretary of the Audit Committee shall be the Company Secretary or his representative.

6. AUTHORITY

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

- (i) has authority to investigate any matter within its Terms of Reference;
- (ii) has the resources which required to perform its duties;
- (iii) has full and unrestricted access to any information of the Group which determines as relevant to its activities from any employees of the Company and the Group;
- (iv) has direct communication channels with the external auditors and internal auditors;
- (v) be able to obtain independent professional's advice or others advices;
- (vi) be able to convene meeting with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

7. SCOPE OF RESPONSIBILITY

The responsibility of the Audit Committee shall include the following: -

- 7.1 To review with the external auditors on the followings and report the same to the Board of Directors of the Company:
 - (i) the audit plan, its scope and nature, and to ensure co-ordination when more than one audit firms is involved, before the audit commences;
 - (ii) the audit report;
 - (iii) the results of their evaluation of the accounting policies and system of internal controls within the Group;
 - (iv) the management letter and management's response; and
 - (v) the major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to external auditors.

- 7.2 To do the following, in relation to the internal audit function:
 - (i) review engagement letter of internal audit function and recommend to the Board for approval;
 - (ii) review the adequacy of the scopes, functions, competency and resources and setting of the performance standards of the internal audit function;
 - (iii) review the internal audit programmes, processes, the results of the internal audit programmes, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (iv) review the major findings of internal audit investigations and management's response and to ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - (v) review any appraisal or assessment of the performance of members of the internal audit function;
 - (vi) review and approve any appointment or termination of senior staff members of the internal audit functions;
 - (vii) take cognizance of resignations of internal audit's staff and provide the resigning staff member an opportunity to submit his/her reasons for resigning;
 - (viii) review the adequacy and effectiveness of the Group's system of internal controls established by the Management to manage key business risks through internal audit reports from internal audit function and other assurance functions (if any);
 - (ix) report and recommend the outcome of the abovementioned 7.2 (i) – 7.2 (viii) issues to Board for decision;
 - (x) discharge its duties in accordance with Internal Audit Charter;
 - (xi) provide independent oversight, guidance, and assurance to ensure that the organisation's risks are appropriately identified, managed, and monitored.

- 7.3 To provide assurance to the Board of Directors on the effectiveness of the system of internal controls and risk management practices of the Group.
- 7.4 To review with the Management:
 - (i) the audit reports and the implementation of audit recommendations; and
 - (ii) the interim financial information.
- 7.5 To perform the following in relation to related party transactions and conflict of interest:
 - (i) confirm and approve the terms and conditions of the RPT and/or the COI;
 - (ii) review and discuss in relation to such related party transactions ("RPT") (if any) and conflict of interest situation that may arise within the Company or the Group at least once every quarter during the quarterly Audit Committee meeting and report the said RPT and/or COI and recommend to the Board of Directors for deliberation and approval;
 - (iii) determine whether the transaction does, in fact, constitute RPT, recurrent related party transaction ("RRPT") and/or conflict of interest ("COI"), and may engage professional or third-party opinion on the matter as required;
 - (iv) formal review and approval by the board of audit committee for significant RPT of more than RM1,000,000.00;
 - (v) ensure all the Substantial Shareholders, Directors and employees of the Group report such RPT (If any) through the declaration form in an annual basis and disclose to shareholders annually via the annual report; and
 - (vi) review the COI and RPTs Policy at least once for every three (3) years as well as recommended to the Board for approval as and when required and updated in compliance with the prevailing applicable laws and regulations or in accordance with the needs of the Group, where necessary.
- 7.6 To review conflict of interest, potential conflict of interest situations that arose or persist (in addition to those that may arise) and the measures taken to resolve, eliminate, or mitigate the conflict of interest and potential conflict of interest.
- 7.7 To review, assess and oversee the management any matter in relation to the bribery and corruption and Anti-Bribery and Anti-Corruption ("ABC") Policy to ensure its adequacy and effectiveness of the internal controls is in line with the ABC commitment and risk appetite of the Board, as well as the Group's mission, vision, strategies and business objectives.
- 7.8 To review the arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters, no reprisal for genuine reporting, confidentiality and protection of whistleblower and appropriate follow up action.
- 7.9 To review the quarterly results and year-end financial statements prior to approval of the Board of Directors, focusing particularly on: -
 - (i) changes in or implementation of major accounting policies changes;
 - (ii) significant and unusual events;
 - (iii) the going concern assumption; and
 - (iv) compliance with accounting standards and other legal requirements.

- 7.10 To review and report to the Board any letter of resignation from the external auditors of the Group as well as whether there is any reason (supported by grounds) to believe that the Group's external auditors are not suitable for re-appointment.
- 7.11 To make the nomination of a person or persons as external auditors or internal auditor; and the auditors' remuneration to the Board.
- 7.12 The Chairman of the Committee should engage on a continuous basis with senior management, Head of Internal Audit and the external auditors in order to be kept informed of matters affecting the Company.
- 7.13 To discuss problems and reservations arising from the interim and final audits and any matter the external auditors may wish to discuss (in the absence of management, when necessary).
- 7.14 To review and monitor the suitability, objectivity and independency of the external auditors and to obtain written assurance from the external auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
- 7.15 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:
 - - (a) the composition of the Committee including the name, designation and directorship of the members;
 - (b) the number of meetings held during the financial year and details of attendance of each member;
 - (c) a summary of the work of the Committee in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and
 - (d) a summary of the work of the internal audit function.
- 7.16 To review the following for publication in or together with the Company's Annual Report as well as to review the Annual Report and recommend for the Board's approval:-
 - (a) the corporate governance disclosure in the following reports:
 - (i) Corporate Governance Overview Statement which provides an overview of the application of the Practices set out in the Malaysian Code of Corporate Governance ("MCCG") in the Company's Annual Report; and
 - (ii) Corporate Governance Report which discloses the Company's application or departure of the Practices set out in the MCCG during the financial year in the prescribed format as provided by Bursa Securities.
 - (b) the statement on the Board's responsibility for the preparation of the annual audited financial statements; and
 - (c) other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements.

7.17 Promptly report to Bursa Malaysia Securities Berhad on any matter reported by the Audit Committee to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

8. MEETING

8.1 The Audit Committee shall meet at least four times in each financial year. Additional meeting may be called at any time at the discretion of the Chairman. The Finance Director, Internal Auditor and representative of the external auditors should normally attend meeting. Other Board's Members may attend meeting upon the invitation of the Audit Committee. However, the Audit Committee should meet with the external auditors and internal audit function without the presence of any Executive Board Members at least twice a year and once a year respectively. Meeting will be attended by the members of the Audit Committee and the Company Secretary or any representative of the Company Secretary shall be the Secretary.

8.2 Notice and the meeting materials shall be circulated at least five (5) business days or a shorter period where unavoidable, prior to the meeting, through the post, facsimile, electronic mail or by any means of telecommunication.

8.3 All decisions are to be determined by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.

8.4 A resolution in writing signed by a majority of the Audit Committee Members constituting a quorum shall be effective as a resolution passed at the meeting of the Audit Committee.

8.5 The Company Secretary shall be responsible for keeping the minutes of meeting of the Audit Committee and circulating the minutes to the Audit Committee Members. The Audit Committee Members may inspect the minutes of the Audit Committee at the Registered Office or such others place as may be determined by the Audit Committee from time to time. The Secretary shall circulate minutes of the Committee meeting to all members of the Board.

8.6 A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of the Committee's members with not less than the quorum shall be deemed to constitute a meeting of the Committee wherever in the world, as long as: -

- (i) the quorum is met;
- (ii) at the commencement of the meeting, each Committee Member acknowledges his presence thereof to all the other members taking part and such participation shall be deemed to be his presence in person;
- (iii) each of the Committee Member that takes part able to be heard and hears other members' subject as mentioned throughout the meeting; and
- (iv) the Committee Members present at the commencement of the meeting shall not leave the meeting by disconnecting the telephone and the meeting shall be deemed to have been conducted validity notwithstanding that the telephone or electronic communication media is accidentally disconnected during the meeting and provided that no discussions or decisions should be made in respect of matters by the Members during the disconnection and that if the telephone or electronic communication media cannot be re-connected at all, the meeting shall then be adjourned.

9. REVIEW OF THE TERMS OF REFERENCE

9.1 The Audit Committee shall recommend any changes to its Terms of Reference in such manner as the Audit Committee deems appropriate for the Board's approval. The Terms of Reference shall be assessed, reviewed and updated whenever necessary.



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