



PARAGON GLOBE BERHAD

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194801000095 (1713-A)

**TERMS OF REFERENCE
AUDIT COMMITTEE**

(VERSION 8.0)

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1. OBJECTIVE

To assist the Board of Directors ("Board") in overseeing the integrity and transparency of the Company's financial reporting, internal control system, and internal and external audit functions.

2. COMPOSITION

- 2.1 The Audit Committee ("AC") shall be appointed by the Board from among 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 one who has observed a cooling-off period of at least three (3) years after the date of cessation of audit engagement. No alternative director shall be appointed as a member of the AC.
- 2.2 The AC shall comprise a minimum of three (3) with a majority of whom are Independent Directors.
- 2.3 All the AC members should be financially literate with at least one (1) member of the AC must fulfil any of the following requirements:
- (a) is a member of the Malaysian Institute of Accountants ("MIA"); or
 - (b) if not a member of MIA, must have at least three (3) years' working experience; and:
 - (i) has passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - (ii) is a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - (c) fulfils any other requirements prescribed or approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").
- 2.4 The Nomination Committee must review the terms of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with the Terms of Reference ("TOR").
- 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 ("Listing Requirements") of Bursa Securities, the vacancy shall be filled within three (3) months. An AC member who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he/she retires or resigns. The membership of the AC shall be terminated upon the cessation of him/her as a Director of the Company, or as determined by the Board.

3. QUORUM

Two (2) members shall form a quorum for a meeting with a majority of the members shall be Independent Directors.

4. CHAIRMAN

- 4.1 The AC members 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 AC, the remaining members present shall elect one (1) of the members as Chairman of the meeting.
- 4.2 In the event of a vacancy in the position of Chairman, the Board shall appoint a new Chairman from among the Independent Director within three (3) months of a vacancy occurring in the chairmanship.
- 4.3 The roles of the AC Chairman are as follows:
- a) planning and conducting meetings;
 - b) overseeing the reporting of any potential issues and other issues discussed in its meetings to the Board;
 - c) encouraging open discussion among its members and other invitees during meetings; and
 - d) maintaining active ongoing dialogue with Management, Internal and External Auditors.

5. SECRETARY

The Secretary of the AC shall be the Company Secretary or his representative.

6. AUTHORITY

The AC shall, in accordance with procedures determined by the Board and at the cost of the Company:

- (i) have the authority to investigate any matter within its TOR;
- (ii) have the resources required to perform its duties;
- (iii) have 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) have 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 meetings with the External Auditors, Internal Auditors or both, without the attendance of other Directors and employees of the Company, whenever deemed necessary.

7. SCOPE OF RESPONSIBILITY

The responsibility of the AC shall include the following:

7.1 To review the following matters with External Auditors and report the same to the Board:

- (i) the audit plan, its scope and nature, and to ensure co-ordination when more than one (1) audit firms are involved, before the audit commences;
- (ii) the audit report;
- (iii) the results of their evaluation of the accounting policies and internal controls systems 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 matters 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 performance standards of the Internal Audit Function;
- (iii) review the internal audit programmes, processes, investigation undertaken and assess whether appropriate action have been taken in response to the audit recommendations;
- (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 internal controls systems 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 outcomes of the Sections 7.2(i) to 7.2(viii) to the Board for its consideration and 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 on the effectiveness of the internal controls systems and risk management practices of the Group.
- 7.4 To review the following matters 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 (“RPT”) and conflict of interest (“COI”) situation:
- (i) confirm and approve the terms and conditions of the RPT and/or the COI situation;
 - (ii) review and discuss any RPT and/or COI situation that may arise within the Company or the Group at least once every quarter during the quarterly AC meetings and report the said RPT and/or COI situations to the Board with appropriate recommendations for deliberation and approval;
 - (iii) determine whether a transaction does, in fact, constitutes an RPT, recurrent related party transaction (“RRPT”) and/or COI situation, and may engage professional advisors or independent third-party opinions as deemed necessary;
 - (iv) ensure that any significant RPT exceeding RM1,000,000.00 is subject to formal review and approval by the Board;
 - (v) ensure that all substantial shareholders, Directors and employees of the Group disclose their RPTs (if any) through a declaration form on an annual basis and that such disclosures are report to shareholders annually through the Company’s Annual Report; and
 - (vi) review the Group’s COI and RPTs Policy at least once for every three (3) years or as and when necessary, and recommended to the Board for approval to ensure compliance with prevailing applicable laws and regulations and alignment with the needs of the Group.
 - (vii) review any COI or potential COI situations that have arisen or continue to persist and evaluate the adequacy of measures taken to resolve, eliminate or mitigate such COI and potential COI.
- 7.6 To review, assess and oversee the management of any matter in relation to the bribery and corruption and Anti-Bribery and Anti-Corruption (“ABC”) Policy to ensure its adequacy and effectiveness of 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.
- 7.7 To review the effectiveness of the Group’s whistleblowing arrangements, including procedures for employees and other stakeholders to raise concerns, in confidence, concerns regarding potential wrongdoing in financial reporting or other matters. The AC shall ensure that such arrangements provide for proportionate and independent investigation of reported concerns, appropriate follow up actions, protection of whistleblower against retaliation and confidentiality of the whistleblower’s identity.

- 7.8 To review the quarterly results and year-end financial statements prior to approval of the Board, focusing particularly on:
- (i) changes in or implementation of major accounting policies;
 - (ii) significant and unusual events;
 - (iii) the going concern assumption; and
 - (iv) compliance with accounting standards and other legal requirements.
- 7.9 To review and report to the Board any letter of resignation from the External Auditors as well as whether there is any reason (supported by grounds) to believe that the Group's External Auditors are not suitable for reappointment.
- 7.10 To recommend to the Board the appointment, reappointment or removal the External Auditors or Internal Auditors; including their remuneration.
- 7.11 The Chairman of the AC should engage on a continuous basis with Senior Management, Head of Internal Audit and External Auditors in order to be kept informed of matters affecting the Company.
- 7.12 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).
- 7.13 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;
- 7.14 To prepare the AC Report for inclusion in the Company's Annual Report, which shall include:
- (a) the composition of the AC 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 AC 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.

- 7.15 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 the Company's Annual Report spelt out in Part A of Appendix 9C of the Listing Requirements.
- 7.16 Promptly report to Bursa Securities on any matter reported by the AC to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.

8. MEETING

- 8.1 The AC shall meet at least four (4) times in each financial year. Additional meetings may be called at any time at the discretion of the Chairman. The Finance Director and representatives from the Internal Auditors and External Auditors, should normally attend such meetings. Other members of the Board may attend upon invitation by the AC.
- 8.2 The AC should meet with the External Auditors without the presence of Executive Board members at least twice a year and with the Internal Audit Function at least once a year. Meeting shall be attended by the AC members and the Secretary to the AC.
- 8.3 Notices and meeting materials shall be circulated at least five (5) business days in advance or a shorter period where unavoidable, through the post, facsimile, electronic mail or by any means of telecommunication.
- 8.4 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.
- 8.5 A resolution in writing signed by a majority of the AC members constituting a quorum shall be effective as if it were passed at a duly convened AC meeting.

- 8.6 The Secretary shall be responsible for keeping the minutes of meeting of the AC and circulating the confirmed minutes to the AC members. The AC members may inspect the minutes of the AC at the registered office or such others place as may be determined by the AC from time to time. The Secretary shall circulate minutes of the AC meeting to all members of the Board.
- 8.7 A meeting may be convened using telephone and/or the contemporaneous linking together by telephone or such other electronic communication media of the AC members with not less than the quorum shall deemed to constitute an AC meeting wherever in the world, as long as:
- (i) the quorum is met;
 - (ii) at the commencement of the meeting, each AC member acknowledges his presence to all other members taking part and such participation shall be deemed to be his presence in person;
 - (iii) each AC member that takes part is able to be heard and hears other members' subject as mentioned throughout the meeting; and
 - (iv) the AC members present at the commencement of the meeting shall not leave the meeting by disconnecting the telephone and 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 AC 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

The AC shall review and recommend changes to its TOR as deems appropriate for the Board's approval. The TOR shall be reviewed at least once for every three (3) years, or as and whenever necessary, to reflect changes in regulatory requirements or the Group's operational needs.



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