

PANPAGES BERHAD
TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Composition

- 1.1 The Committee shall comprise of at least three (3) directors, a majority of whom must be independent directors. There shall be at least one member who is :
- a) a member of the Malaysian Institute of Accountants, or
 - b) otherwise, he shall have at least 3 years' working experience and
 - i. he shall have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or
 - ii. he shall 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)
 - i. a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
 - ii. at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- 1.2 No alternate director shall be appointed as a member of the Audit Committee.
- 1.3 In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy shall be filled within two (2) months but in any case not later than three (3) 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 leaves.

2. Chairman

The Chairman, who shall be elected by the Audit Committee, shall be an independent director.

3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members.

The Committee Members may inspect the minutes of the Audit Committee at the Registered Office or such other place as may be determined by the Audit Committee.

4. Meetings

The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

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The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.

All decisions at such meeting shall be decided on a show of hands on majority of votes.

The external auditors have the right to appear at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee. The external auditors may also request a meeting if they consider it necessary.

Other directors or employees may attend any particular Audit Committee Meeting only at the Audit Committee's invitation, specific to the relevant meeting.

5. Rights and Authority

The Audit Committee shall:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to the Chief Executive Office and the Chief Financial Officer and to any information pertaining to the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) have the right to obtain independent professional or other advice at the Company's expense;
- (f) have the right to convene meetings with the external auditors, excluding the attendance of the executive members of the audit committee, whenever deemed necessary;
- (g) promptly report to the Bursa Malaysia Securities Berhad matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements.

6. Duties and Function

- (a) To review with the external auditors on:
 - the audit plan, its scope and nature;
 - the audit report;
 - the results of their evaluation of the accounting policies and systems of internal accounting controls within the Group; and
 - the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.
- (b) To review the adequacy of the scope, functions, competency and resources and setting of performance standards of the internal audit function.
- (c) To provide assurance to the Board of Directors on the effectiveness of the system of internal controls and risk management practices of the Group.
- (d) To review the internal audit programme, processes the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (e) To review :
 - the audit reports and management letter issued by the external auditors and the implementation of audit recommendations;
 - the interim financial information; and
 - the assistance given by the officers of the Company to external auditors.

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- (f) To meet with the external auditors and internal auditors without executive board members present whenever deemed necessary.
- (g) To monitor related party transactions entered into by the Company or the Group to be undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report, and to review conflict of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (h) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
- changes in or implementation of major accounting policy and practices;
 - significant issues arising from the audit;
 - the going concern assumption;
 - compliance with accounting standards and other legal requirements; and
 - major judgemental areas.
- (i) To assist the Board of Directors in preparing an audit committee report at the end of each financial year, to be clearly set out in the annual report of the Company, comprising the following :
- i. The composition of the Audit Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise).
 - ii. The terms of reference of the audit committee.
 - iii. The number of audit committee meetings held during the financial year and details of attendance of each audit committee member.
 - iv. A summary of the activities of the Audit Committee in the discharge of its functions and duties for that financial year of the company.
 - v. The existence of an internal audit function or activity and where there is such a function or activity, a summary of the activities of the function or activity. Where such a function or activity does not exist, an explanation of the mechanisms that exist to enable the Audit Committee to discharge its functions effectively.
- (j) To consider the appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.
- (k) To review the allocation of options pursuant to the employees share option scheme and make such statement to be included in the annual report of the Company in relation to share scheme for employees
- (l) To review all areas of significant financial risk and to ensure that the arrangements are in place to contain these risks to acceptable levels.