

AUDITOR ASSESSMENT POLICY

1. INTRODUCTION

The Audit Committee (“AC or the Committee”) Pelangi Publishing Group Bhd (“PPG”) is responsible for assessing, reviewing and supervising the performance, suitability and independence of External Auditors. The objective of this External Auditors Assessment Policy (“the Policy”) is to outline the guidelines and procedures for the Committee to assess, monitor and review the External Auditors.

2. SELECTION AND APPOINTMENT PROCEDURE

The Board has delegated to the Committee the responsibility for the appointment, remuneration and removal of external auditor.

Pursuant to Section 172(2) of the Companies Act 1965, the Company shall at each annual general meeting appoint or re-appoint the external auditors of the Company, and the external auditors so appointed shall, hold office until the conclusion of the next annual general meeting of the Company.

The Committee will follow the following procedures for selection and appointment of new External Auditors, when they determine a need to change the External Auditors:

- a. to identify the audit firms which meet the criteria for appointment and to request for their proposals of engagement for consideration;
- b. to assess the proposals received and shortlist the suitable audit firms.
- c. to meet and/or interview the shortlisted audit firms;

External Auditors must provide a fixed fee of quotation for its audit services. However, price will not be the sole determining factor in the selection of a preferred External Auditors. The Committee may delegate or seek the assistance of the Head of Finance to carry out items (a) to (c) above;

- d. to recommend the suitable audit firm to the Board for appointment as External Auditors; and
- e. the Board will endorse the recommendation and the proposal will be recommended to seek shareholders' approval for the appointment of the new External Auditors and/or resignation/removal of the existing External Auditors at the general meeting.

3. ASSESSMENT OF INDEPENDENCE

The External Auditors are precluded from providing any services that may impair their independence or conflict with their role as External Auditors.

In avoidance of doubt, the AC shall obtain a 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.

4. NON-AUDIT ENGAGEMENT

The External Auditors can be engaged to perform non-audit engagement that are not, and are not perceived to be, in conflict with the role of the External Auditors. This excludes audit related work in compliance with statutory requirements.

The three (3) basic principles on the prohibition of non-audit engagement where External Auditors:

- a. cannot function in the role of Management;
- b. cannot to audit their own work; and
- c. cannot serve in an advocacy role of PPG and its subsidiaries (“the Group”).

The External Auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit engagement, which include the following:

- a. accounting and book keeping services;
- b. valuation services;
- c. taxation services;
- d. internal audit services;

- e. IT systems services;
- f. litigation support services;
- g. recruitment services; and
- h. corporate finance services.

All engagements of the External Auditors to provide non-audit services are subject to the approval/endorsement by the AC; and with expectation on the Management to obtain confirmation from the External Auditors on their independence which shall not be impaired by the provision of non-audit engagement.

5. ROTATION OF AUDIT PARTNER

The audit partner responsible for the External Audit of PPG and its Subsidiaries is subject to rotation at least every five (5) financial years.

6. ANNUAL REPORTING

The External Auditors will issue an annual audit planning memorandum for review and discussion with the Committee. And upon completion of annual audit, provide a management letter to the Committee upon completion of the annual audit.

6. ANNUAL PERFORMANCE ASSESSMENT

AC shall carry out annual assessment on the performance and may request the Head of Finance to join the assessment, on the suitability and independence of the External Auditors on the following areas:

- a. quality of service;
- b. sufficiency of resources;
- c. communication with the Management; and
- d. independence, objectivity and professional scepticism.

8. REVIEW OF THE POLICY

AC will review the Policy periodically to ensure that it continues to remain relevant and appropriate.