

STAR MEDIA GROUP BERHAD

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. PURPOSE

The purpose of Audit Committee (“AC”) is to assist the Board in fulfilling its oversight responsibilities. This includes monitoring Star Media Group Berhad’s (the “Company”) system of risk management and internal controls, financial reporting process, and in compliance with laws and regulations and the Company’s Code of Conduct. The AC also assists in overseeing and appraising the quality of the audits conducted both by the Company’s internal and external auditors as well as maintaining open lines of communication between the Board, the internal and external auditors for the exchange of views and information, besides confirming their respective authority and responsibilities.

2. MEMBERSHIP

2.1 The AC shall be appointed from amongst its Directors and must fulfill the following requirements:-

- a) The AC must be composed of not fewer than three (3) members;
- b) All the AC members must be Non-Executive Directors, with a majority of them being Independent Directors;
- c) At least one member of the AC:-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years’ working experience and :-
 - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he/she 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
 - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).

2.2 No alternate director shall be appointed as a member of the AC;

2.3 In the event of any vacancy in the AC (including the chair) resulting in the non-compliance of the above, the Board of Directors shall within three (3) months of that event fill the vacancy;

2.4 The terms of office and performance of the AC and each of its members must be reviewed by the Nomination Committee annually to determine whether the AC and its members have carried out their duties in accordance with their terms of reference.

- 2.5 For engagement of a former key audit partner as member, there is a cooling-off period of at least 2 years before being appointed as member of the AC.

3. CHAIRMAN

- 3.1 The Chair of the Board shall not be the Chair of the AC. The Chairman of the AC shall be appointed by members of the Committee and must be an Independent Non-Executive Director.

The vacancy of the independent chairman of the AC must be filled within 3 months.

- 3.2 The main responsibilities of the Chairman of the AC include:

- a) planning and conducting meetings;
- b) overseeing reporting to the Board;
- c) encouraging open discussion during meetings;
- d) developing and maintaining active on-going dialogue with Senior Management and both internal and external auditors in order to be kept informed of matters affecting the Group; and
- e) attending the Annual General Meeting to answer any shareholders' queries on the AC's activities.

- 3.3 All meetings shall be chaired by the Chairman; if the Chairman is absent at any meeting, it shall be chaired by another Independent Non-Executive Director chosen among themselves.

4. SECRETARY

- 4.1 The Company Secretary shall be the secretary of the AC and shall be responsible, in consultation with the Chair of the AC, for drawing up the agenda and circulating it to the AC members at least five working days before the meeting date. The Secretary shall also be in attendance at each AC meeting and is responsible for keeping the minutes of meetings and circulating them to the AC members and the Board.

5. MEETINGS

- 5.1 The AC shall meet at least four (4) times in a financial year. Additional meetings shall be convened as and when called by the Chair of the AC, if a request is made by any AC member, the Directors, the internal or external auditors;

- 5.2 A quorum shall be two (2) members, comprising Independent Non-Executive Directors;

- 5.3 All resolutions of the Committee shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote;

- 5.4 The Chairman of the AC shall, upon the request of the external auditor, convene a meeting of the Committee to consider any matter, which the external auditor believes should be brought to the attention of the directors or shareholders;
- 5.5 The Head of Internal Audit shall attend the AC meetings as a permanent invitee unless otherwise decided by the Chair of the AC. The external auditors are invited to attend meetings as and when necessary;
- 5.6 The Group Chief Executive Officer and Group Chief Financial Officer shall normally be invited to attend the meetings. The Chair of the AC may also invite other Board members and/or Management to participate in the meetings, when necessary.
- 5.7 The AC should meet with the external auditors without the Executive Board Members and Management present at least twice in a financial year;
- 5.8 A resolution in writing, signed by all the members of the AC, shall be as effectual as if it has been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.
- 5.9 The AC shall regulate its own procedure, in particular:-
- (a) the calling of meetings
 - (b) the notice to be given of such meetings
 - (c) the voting and proceedings of such meetings
 - (d) the keeping of minutes; and
 - (e) the custody, production and inspection of such minutes.
- 5.9 The minutes of the AC meetings shall be kept at the registered office of the Company and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to approval by the Chair of the AC.

6. AUTHORITY

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

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties. The Committee can obtain outside legal or other independent professional advice it considers necessary;
- (c) have full and unrestricted access to any information pertaining to the Group; and
- (d) have direct communication channels with external auditors and internal auditors and shall be able to convene meetings with the external auditors, internal auditors or both without the presence of Executive Directors and employees of the Company, whenever deemed necessary.

7. FUNCTIONS

The AC shall undertake the following functions:-

7.1 Financial Reporting and External Audit

To review

- (i) with the external auditors, the audit scope and plan;
- (ii) with the external auditors, their evaluation of the system of risk management and internal controls;
- (iii) with the external auditors, their audit report;
- (iv) the assistance given by the employees to the external auditors;
- (v) the independence and objectivity of the external auditors and their services, including non-audit services and their professional fees, so as to ensure a proper balance between objectivity and value for money.

The Committee should consider the following in assessing the performance of the external auditors and its independence:

- a) the external auditor's ability to meet deadlines in providing services and responding to the Company in a timely manner as contemplated in the external audit plan;
 - b) the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and
 - c) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of the non-audit services or tenure of the external auditors.
- (vi) the appointment/re-appointment and performance of the external auditors, the audit fee and any question of resignation or dismissal and to carry out annual assessment on the performance and the suitability of the external auditors. In considering the appointment/re-appointment of the external auditors, the Committee to consider among others:
- a) the adequacy of the experience and resources of the accounting firm;
 - b) the persons assigned to the audit;
 - c) the accounting firm's audit engagements;
 - d) the size and complexity of the listed issuer's group being audited; and
 - e) the number and experience of supervisory and professional staff assigned to the particular audit.

- (vii) the quarterly results and year end financial statements prior to the approval by the board of directors, focusing particularly on:-
 - a) any changes in or implementation of major accounting policies and practices;
 - b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed;
 - c) the going concern assumptions; and
 - d) compliance with accounting standards and other legal requirements;

7.2 Related Party Transaction

Review and report to the Board any related party transactions or conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management's integrity.

This includes ensuring that:

- a) Internal control procedures with regards to such transactions are sufficient and have been complied with;
- b) Transactions are fair, reasonable and undertaken on the Company's normal commercial terms; and
- c) Transactions are not detrimental to the interest of minority shareholders.

7.3 Risk Management

Oversee the risk management framework and policies and review the adequacy and effectiveness of the risk management process to identify key organisational risks and the systems and processes in place to manage those risks.

7.4 Internal Controls

- (a) Review the adequacy and integrity of the Company's internal controls including information technology security and controls, and the policies and compliance procedures with respect to business practices, by conducting the following:
 - i) review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - ii) review the internal audit programme, internal audit reporting and communication flow and the results of the internal audit process and investigations, where necessary, and ensure that appropriate action is taken on the recommendations of the internal audit function or whether concerns, if any, identified by the internal audit in its report were addressed during the financial year;
 - iii) review any appraisal or assessment of the performance of the internal auditors;
 - iv) ensure that the internal audit function is independent of the works it audits.

- (b) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning; and

7.5 Other responsibilities

- (a) Institute and oversee special investigations as needed.
- (b) Ensure that any matter which results in a breach of the Listing Requirements is reported to Bursa Securities if it has not been satisfactorily resolved.
- (c) Prepare the AC Report at the end of each financial year pursuant to the Listing Requirements of Bursa Securities.
- (d) Perform other activities related to this Terms of Reference, as requested by the Board.

8. REVISION OF TERMS OF REFERENCE

Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third parties, shall first be presented to the Board for its approval.

Upon the Board's approval, the said revision/amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised/amended.