

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 members, including the Chairman of AC shall be appointed by the Board on the recommendation of the Nomination Committee. Members shall be appointed in consultation with the Chairman of the AC.

2.2 The composition of AC must fulfill the following requirements:-

a) The AC must comprise at least three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors.

b) 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”).

2.3 No alternate director shall be appointed as a member of the AC.

2.4 No former partners of the external audit firm of the Company and/or its affiliate firms should be appointed as a member of the Committee unless he/she has observed a cooling-off period of at least three (3) years.

- 2.5 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.
- 2.6 The terms of office and performance of the AC as well as the contribution of 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 the terms of reference.

3. CHAIRMAN

- 3.1 The Chairman of AC shall be an Independent Non-Executive Director. The Chair of the Board shall not be the Chair of the AC.
- 3.2 The main responsibilities of the Chairman of 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 shareholders' meetings to answer any shareholders' queries related to 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 of the Company and/or his/her representatives shall be the secretary of the Committee.
- 4.2 The Secretary shall also be in attendance at each AC meeting and is responsible for preparing and keeping the minutes of meetings as well as circulating them to the AC members and the Board.

5. QUORUM AND ATTENDANCE AT MEETING

- 5.1 In order to form a quorum in respect of the AC meeting, the majority of the members present must be Independent Non-Executive Directors.
- 5.2 Only members of the AC have the right to attend the Committee meetings. However, a standing invitation will be issued to other Board members to attend with the consent of the Committee Chair, and the following individuals would be expected to attend meetings on a regular basis:

- a) Group Chief Executive Officer;
- b) Group Chief Financial Officer/Head of Finance;
- c) Head of Internal Audit;
- d) Risk Officer; and
- e) the external auditor.

Other individuals may be invited by the Chairman to attend for all or part of any meeting, as and when appropriate when the agenda calls for their insights.

- 5.3 The AC will meet privately with the external auditor at least twice in a financial year and with the Head of Internal Audit at least once a year or whenever deemed necessary, without the presence of the Executive Board members and Management.

6. FREQUENCY OF MEETING AND MEETING PROCEEDINGS

- 6.1 The AC shall meet at least four (4) times in a financial year to coincide with the key dates within the financial reporting (quarterly results and annual reporting) and audit cycle; although additional meetings may be called at any time, at the discretion of the Committee Chairman.
- 6.2 Sufficient intervals should be allowed between the AC meetings and board meetings to allow any work arising from the AC meeting to be carried out and reported to the Board as appropriate.
- 6.3 Members of the Committee may participate in a meeting in person or by means of teleconference, video conference or any other form of audio and audio-visual communication which permits all persons participating in the meeting to communicate with each other. A person so participating shall be deemed to be present in person at such meeting and shall be counted in a quorum and be entitled to vote.
- 6.4 A member of the Committee should not vote on any matter in which he/she has any direct or indirect interest. Where possible, he/she should recuse himself/herself from the portion of the meeting involving the potential conflict. A member should not be counted in the voting at a meeting for a resolution in which he/she is recused or abstained from voting.
- 6.5 All resolutions of the Committee shall be adopted by a simple majority vote. Each member shall have one vote. In case of equality of votes, the Chairman of the meeting shall have a casting vote.
- 6.6 The AC may establish any regulations or practices from time to time to govern its administration.

7. MINUTES OF MEETINGS

- 7.1 The Secretary shall ensure that a formal record of the Committee proceedings and resolutions is maintained.
- 7.2 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 person to inspect the minutes shall be subject to approval by the Chair of the AC.
- 7.3 A resolution in writing, signed and approved by all the members of the AC either on hard copy or electronically, 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.

8. 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;
- c) be able to obtain independent professional or other advice it considers necessary in accordance with the procedure determined by the Board and to invite them to attend the meetings (if required) and brief the Committee;
- d) have full and unrestricted access to any information, records and personnel within the Group; and
- e) have direct communication channels with the external auditor and internal auditor and shall be able to convene meetings with the external auditor, internal auditor or both without the presence of the Executive Directors, Management and employees of the Company, whenever deemed necessary.

9. FUNCTIONS

The AC shall undertake the following functions:-

9.1 Financial Reporting and External Audit

To review

- i) with the external auditor, the audit scope and plan;
- ii) with the external auditor, their evaluation of the system of risk management and internal controls;
- iii) with the external auditor, their audit report;

- iv) the assistance given by the employees to the external auditor;
- v) the suitability, independence and objectivity of the external auditor, including appropriateness of the audit fees to support a quality audit and the consideration of the non-audit services rendered by the affiliate firms of the external auditor, so as to safeguard the quality and reliability of the preparation of the audited financial statements of the Company.

The Committee should consider the following in assessing the performance of the external auditor 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 and extent of non-audit services rendered, and the level of fees paid for such services relative to audit fees. In this connection, the Committee shall review and approve all proposed non-audit services (including fees) provided by the external auditor/its affiliates prior to work commencement. AC shall also consider whether the suitability and need for the service of the external auditor or its associated companies has been properly considered by Management prior to engagement. In the event that the non-audit fees paid to the Company's external auditor, or a firm or corporation affiliated to the external auditor's firm are significant (e.g., 50% of the total amount of audit fees paid to the Company's external auditors), the Company is required to state the details on the nature of non-audit services rendered in the AC Report; and
 - c) whether safeguards have been deployed to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit arising from the non-audit services provided by the external auditor to the Company and Group.
- vi) the appointment/re-appointment of the external auditor. In this context, the Committee shall consider among others:
- a) the adequacy of the experience and resources of the accounting firm;
 - b) the persons assigned to the audit;
 - c) the audit partner rotation is observed;
 - d) the accounting firm's audit engagements;
 - e) the size and complexity of the listed issuer's group being audited; and
 - f) the number and experience of supervisory and professional staff assigned to the particular audit.
- viii) the resignation or removal of external auditor. The AC shall investigate the issues leading to this (supported by grounds) and decide the necessary action required; and

- ix) 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 adjustments arising from the audit, significant and unusual events or transactions and how these matters are addressed;
 - c) the appropriateness of the going concern assumptions; and
 - d) compliance with accounting standards and other legal requirements.

9.2 Related Party Transactions

Review and report to the Board any related party transaction within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.

Key factors that must be addressed by the AC in its oversight of related party transaction are as follows:

- i) identification of the interested and related parties as well as the nature of such potential transactions; and
- ii) reasonableness of the related party transactions to ensure that the interested parties do not abuse their powers for personal gain or advantage.

The AC should therefore ensure the

- a) internal control procedures with regards to such transactions are adequate 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.

9.3 Conflict of Interest

Review and report to the Board any conflict of interest situation that arose, persist or may arise within the Company or the Group and the measures taken to resolve, eliminate or mitigate such conflicts.

The AC should also disclose in the AC Report annually, the summary of any conflict of interest or potential conflict situation within the Group that it has reviewed and the measures taken to resolve, eliminate or mitigate such conflicts.

9.4 Risk Management

- a) Oversee the risk management framework and policies within the Group;
- b) seek assurance from Management that they have performed their duty in ensuring an effective risk management process is in place to identify and manage risks which include but not limited to ensuring the adequacy of risk management and infrastructure to facilitate the implementation of action plans for risk management; and
- c) set reporting guidelines for Management to report to the Committee on the effectiveness of the Group's risk management.

9.5 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;
 - ii) review any appraisal or assessment of the performance of the internal auditors;
 - iii) ensure that the internal audit function is independent of the works it audits.
- b) take cognizance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.

9.6 Appointment of Adviser(s) for Corporate Exercises

In regard to the proposed appointment of Principal Adviser and Independent Adviser ("IA") (collectively referred to as "the Advisers") for a related party transaction, if required under the Listing requirements of Bursa Securities, the proposed appointment of the Advisers has to be reviewed and recommended by the AC prior to recommendation to the Board for approval. The AC should consider amongst others, the following criteria in the proposed engagement of Advisers which shall include their resources with the necessary skills and knowledge, credentials, experience and expertise relevant to the scope of work they have been engaged for and their fees.

For the proposed appointment of IA, their engagement should be guided by the Listing Requirements and Best Practice in relation to Independent Advice Letter issued by the Securities Commission and Bursa Securities which include inter-alia, the confirmation by IA that there is no conflict of interest situation or potential conflict of interest situation arising from it carrying out the IA role.

9.7 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 for inclusion in the Company's Annual Report.
- d) Review its Terms of Reference periodically in line with the Listing Requirements of Bursa Securities and the relevant Corporate Governance guidelines.
- e) Review the relevant policies and procedures as required from time to time and recommend to the Board for approval.
- f) Perform other activities related to these Terms of Reference, as requested by the Board.

10. REVISION OF TERMS OF REFERENCE

- 10.1 The Terms of Reference shall be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the Committee's role as a whole. 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.
- 10.2 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.
- 10.3 The Terms of Reference of the AC shall be made available on the Company's website.