



STAR MEDIA GROUP BERHAD

TERMS OF REFERENCE OF AUDIT COMMITTEE

1.0 MEMBERSHIP

- 1.1 The Audit Committee shall be appointed from amongst its Directors and must fulfill the following requirements:
- a) The Audit Committee must be composed of not fewer than three (3) members;
 - b) All the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors;
 - c) At least one member of the Audit Committee:
 - (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").
- 1.2 No alternate director shall be appointed as a member of the Audit Committee;
- 1.3 In the event of any vacancy in the Audit Committee resulting in the non-compliance of the Main Market Listing Requirements of Bursa Securities pertaining to the composition of the Audit Committee, the Board of Directors shall within three (3) months of that event fill the vacancy;
- 1.4 The terms of office and performance of the Audit Committee and each of its members must be reviewed by the Nomination Committee annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.



2.0 CHAIRMAN

2.1 The Chairman of the Audit Committee shall be appointed by members of the Committee and must be an Independent Non-Executive Director.

The vacancy of the independent chairman of the Audit Committee must be filled within three (3) months.

2.2 The main responsibilities of the Chairman of the Committee include:

- a) Planning and conducting meetings;
- b) overseeing reporting to the Board;
- c) encouraging open discussion during meetings; and
- d) developing and maintaining active on-going dialogue with Management and both internal and external auditors.

2.3 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.

3.0 SECRETARY

3.1 The Company Secretary shall be the secretary of the Audit Committee.

4.0 MEETINGS

4.1 The Audit Committee shall meet at least four (4) times in a year. Additional meetings may be called at any time at the discretion of the Chairman of the Audit Committee;

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

4.3 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;



- 4.4 The Chairman of the Audit Committee 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;
- 4.5 The external auditors are invited to attend meetings as and when necessary;
- 4.6 Other Board Members and employees may attend meetings only upon the invitation of the Audit Committee.
- 4.7 The Audit Committee should meet with the external auditors without the Executive Board Members and Management present at least twice in a financial year;
- 4.8 A resolution in writing, signed by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.
- 4.9 The Audit Committee 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.

5.0 AUTHORITY

The Audit Committee 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.

6.0 FUNCTIONS

6.1 The functions of the Audit Committee shall be

- (a) 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 v 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;

- (viii) any related party transactions and conflict of interests situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions or management integrity; and

- (ix) with the Head of Enterprise Risk Management, the risk profile of the Group and risk management practices and procedures;

- (b) to assess the effectiveness of internal controls 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;
- (c) 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
- (d) to perform any other functions/responsibilities/duties as may be imposed upon them by Bursa Securities or any other relevant authorities from time to time together with such other functions as may be agreed to by the Audit Committee and the Board of Directors.

The Chairman of the Committee shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matter affecting the Company and group.