Audit Committee Report

The Board of the Company is pleased to present the Audit Committee Report for the year ended 31 March 2016.

MEMBERS AND MEETINGS

The Audit Committee comprises three members, all of whom are independent non-executive directors. Details of the composition of the Audit Committee and the attendance of each member during the year are set out below:

<table>
<thead>
<tr>
<th>Name of member</th>
<th>Number of meetings attended</th>
<th>Percentage of attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr David YU Hon To (Chairman/INED)</td>
<td>4/4</td>
<td>100%</td>
</tr>
<tr>
<td>Tan Sri Dato' LAU Yin Pin (INED) (resigned on 1 April 2016)</td>
<td>4/4</td>
<td>100%</td>
</tr>
<tr>
<td>Temenggong Datuk Kenneth Kanyan ANAK TEMENGGONG KOH* (INED)</td>
<td>3/4</td>
<td>75%</td>
</tr>
<tr>
<td>Datuk CHONG Kee Yuon (INED) (appointed on 1 April 2016)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Mr KHOO Kar Khoon (INED) (appointed on 23 June 2016)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Temenggong Datuk Kenneth Kanyan ANAK TEMENGGONG KOH passed away on 1 March 2016.

The meetings were appropriately structured through the use of agendas, which were distributed to the members with sufficient notification. The Group CEO, the relevant executive directors, Head of Internal Audit Function and staff responsible for the accounting and financial reporting function were also invited to attend and brief the Audit Committee on specific issues. The Audit Committee also held two separate private sessions with the external auditor, PricewaterhouseCoopers, without the presence of management.

The Chairman of the Audit Committee, after each meeting, is responsible to brief the Board on principal matters deliberated at the Audit Committee meetings. Minutes of the meetings were circulated to the Board and significant issues were brought up and discussed at Board meetings.

TERMS OF REFERENCE

The Audit Committee is governed by its terms of reference which have been reviewed from time to time and the last review was on 22 June 2016. The revised terms of reference of the Audit Committee is available on the Company’s website at www.mediachinesegroup.com.

1. **Formation**
   The Audit Committee was formed pursuant to the board resolution of the Company passed on 30 March 1999.

2. **Composition**
   The Audit Committee shall be appointed by the Board from amongst its directors excluding alternate directors and shall comprise no fewer than 3 members, all of whom must be non-executive directors, with a majority of them being independent directors.

   At least 1 member of the Audit Committee:

   (a) Must be a member of the Malaysian Institute of Accountants; or

   (b) If not a member of the Malaysian Institute of Accountants, that member must have at least 3 years’ working experience and must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967, or 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
(c) Must have a degree/master/doctorate in accounting or finance and at least 3 years’ post qualification experience in accounting or finance; or

(d) Must have 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; and

(e) Fulfills such other requirements as prescribed or approved by the Bursa Securities.

(f) Is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the HK Listing Rules.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the Bursa Securities Listing Requirements or the HK Listing Rules, the Board shall within 3 months of that event appoint such number of new members as may be required to fill the vacancy.

3. Quorum
   A quorum shall consist of a majority of INEDs and shall not be less than 2.

4. Chairman
   The Chairman shall be elected from among the members of the Audit Committee and must be an INED.

5. Meetings
   The Audit Committee shall meet not less than 4 times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

   The Audit Committee shall be able to convene meetings with external auditors, internal auditors or both without the presence of any other directors or employees whenever it deems necessary. External auditors and internal auditors have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.

   The Audit Committee shall meet with the external auditor without the presence of executive Board members at least twice a year.

   The company secretary shall be the secretary of the Audit Committee.

6. Objectives
   The primary objective of the Audit Committee is to review and supervise the Group’s financial reporting process and internal controls.
Audit Committee Report

7. Authority
The Audit Committee is authorised by the Board:

(a) to investigate any matter within the scope of its duties and responsibilities as outlined in its terms of reference;

(b) to have sufficient resources to perform its duties;

(c) to have full and unrestricted access to any information pertaining to the Company;

(d) to have direct communication channels with the external and internal auditors;

(e) to obtain independent professional or other advice; and

(f) to convene meetings with the external auditor, the internal auditor or both, excluding the attendance of other directors of the Company and employees of the Group, whenever deemed necessary.

8. Duties and responsibilities
The functions of the Audit Committee shall include, among others:

(a) To review the following and report the same to the Board:

(i) with the external auditor, the audit plan;

(ii) with the external auditor, the evaluation of the system of internal controls;

(iii) with the external auditor, the audit report;

(iv) the assistance given by the employees of the Group to the external auditor;

(v) the adequacy of scope, functions, competency and resources of the Internal Audit Function and that it has the necessary authority to carry out its work;

(vi) the internal audit programme, processes, 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;

(vii) the quarterly, half-yearly, and annual financial results and reports prior to the approval by the Board, focusing particularly on:

• changes in and implementation of accounting policies and practices;

• major judgmental areas;

• significant adjustments resulting from audit;
Audit Committee Report

• going concern assumptions and qualifications;
• compliance with accounting standards;
• compliance with the HK Listing Rules, Bursa Securities Listing Requirements and other legal and regulatory requirements in relation to financial reporting; and
• significant and unusual events;

(viii) any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(b) to review and discuss the Group’s financial controls, internal controls and risk management systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group’s accounting and financial reporting function;

(c) to recommend the nomination of the external auditor, the audit fees and any question of resignation or dismissal; and

(d) such other functions as the Board may from time to time determine.

SUMMARY OF ACTIVITIES

The main activities undertaken during the year were as follows:

Financial results
(a) Reviewed the Group’s quarterly, half-yearly and annual financial results, including the press releases and announcements relating to the financial reports for quality of disclosure and presentation, and discussed with the management and external auditors to ensure compliance with Bursa Securities Listing Requirements, HK Listing Rules, applicable approved accounting standards and other statutory and regulatory requirements before recommending to the Board for approval and public release;

(b) Reviewed the interim financial information and annual financial statements of the Company and of the Group with the external auditor and management prior to submission to the Board for approval.

(c) The Audit Committee’s recommendations were presented for approval at the subsequent Board meeting.
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Internal audit
(a) Reviewed the internal audit plan for the financial year ended 31 March 2016 ensuring the principal risk areas were adequately identified and covered in the plan;

(b) Reviewed the scope and coverage of the audit over the activities of respective operating units of the Group and the basis of assessment and risk rating of the proposed areas of audit;

(c) Reviewed and deliberated on the reports from the Internal Audit Function;

(d) Reviewed the recommendations by the Internal Audit Function and appraised the adequacy and effectiveness of management’s response in resolving the audit issues reported;

(e) Reviewed the corrective actions taken by management in addressing and resolving issues as well as ensuring that all issues were adequately addressed on a timely basis;

(f) Reviewed the adequacy of resources and competency of the Internal Audit Function in executing the audit plan.

External audit
(a) Reviewed with the external auditor the audit plan, strategy and scope of statutory audits of the Group’s financial statements for the year under review;

(b) Reviewed the results, audit findings and issues arising from the annual audit and interim review, audit review report and management letter together with management’s response to the findings of the external auditor;

(c) Considered and recommended to the Board for approval of the proposed audit fees payable to the external auditor;

(d) Assessed the qualification, expertise, resources and effectiveness of the external auditor;

(e) Reviewed the performance and assess the independence, objectivity and suitability of the external auditors and services provided, including non-audit services. Non-audit fees totaling US$146,000 were paid to the external auditors and their associates during the financial year, for the provision of corporate tax advisory and planning and other advisory services;

(f) Reviewed the level of assistance given by the employees of the Group to the external auditor.
Audit Committee Report

Others
(a) Reviewed the recurrent related party transactions (or continuing connected transactions) entered into by the Group;

(b) Reviewed the circular to shareholders in respect of the proposed shareholders’ mandate for recurrent related party transactions;

(c) Reviewed the Audit Committee Report, Statement on Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year under review;

(d) Reviewed the effectiveness of the risk management system and the risk assessment reports from the Risk Management Committee. Significant risk issues were summarised and communicated to the Board;

(e) Reviewed the risk register and risk assessment activities of the subsidiaries of the Group;

(f) Reviewed the arrangement (including investigation and follow-up action) for employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters through the whistleblowing policy adopted by the Company;

(g) Reviewed the training programmes for staff in the Group’s accounting and financial reporting function.

INTERNAL AUDIT FUNCTION

The Internal Audit Function is an integral part of the assurance framework within the Group. It plays an intermediate role in discharging the oversight function delegated by the Board to the Audit Committee. It reviews the adequacy and effectiveness of key controls in business processes and assesses compliance with the established policies and procedures. This provides reasonable assurance to the Board that the risk, control and governance processes are in place and operate satisfactorily.

The Group’s Internal Audit Function has a clear reporting line to the Audit Committee and its activities are conducted in accordance with the Internal Audit Charter. It adopts a risk-based methodology so that relevant controls addressing risks are assessed on a timely basis. The annual audit plan is approved by the Audit Committee.

The Internal Audit Function carries out its duties with impartiality, proficiency and due professional care. It is guided by the International Professional Practice Framework (IPPF) promulgated by the Institute of Internal Auditors (IIA). Key audit findings and recommendations are reported at Audit Committee meetings on a quarterly basis. Timely follow-up and proper implementation of agreed action plans are closely monitored by the management.

The total costs incurred by the Internal Audit Function in discharging its function and responsibilities in respect of the financial year ended 31 March 2016 was approximately US$184,000.

This Audit Committee Report was approved by the Board on 30 June 2016.