

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 March 2023.

COMPOSITION AND ATTENDANCE

The Audit Committee comprises three members, all of whom are independent non-executive directors and no alternate director is appointed as a member of the Audit Committee. All the members satisfy the “independence” requirements contained in both the HK Listing Rules and the Bursa Securities Listing Requirements. The Audit Committee Chairman, Mr IP Koon Wing, Ernest, is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. The current Audit Committee members’ qualification and experience can also be found on pages 7 to 9. Accordingly, the Company has complied with paragraph 15.09 of the Bursa Securities Listing Requirements.

Details of the composition and attendance of the Audit Committee members during the year are set out as below:

| Name of member | Total meetings attended | Percentage of attendance |
|---|--------------------------------|---------------------------------|
| Mr IP Koon Wing, Ernest (<i>Chairman</i>) | 4/4 | 100% |
| Datuk CHONG Kee Yuon | 4/4 | 100% |
| Mr KHOO Kar Khoon | 4/4 | 100% |

MEETINGS AND MINUTES

Audit Committee meetings were held every quarter, with a total of four (4) meetings for the year under review. The Group CEO, relevant Executive Directors, Head of Internal Audit, Head of Finance, Senior Finance Executives and the Company Secretaries were invited to all Audit Committee meetings to facilitate direct communication on business and financial updates as well as audit issues. Two private meetings were held with the external auditor, without the presence of the Executive Directors and management members. The meetings were appropriately structured through the use of agendas, which had been distributed to the members with sufficient notification.

All the meetings were minuted, tabled for confirmation at the next Audit Committee meeting and subsequently presented to the Board for notation. The Audit Committee Chairman would provide a report highlighting significant issues and recommendations to the Board for consideration and decision.

TERMS OF REFERENCE

The Audit Committee is guided by its Terms of Reference in performing the duties and responsibilities. The Terms of Reference clearly defines the authorities, duties and reporting procedures of the Audit Committee and it is accessible on the Company’s website at www.mediachinesegroup.com.

ANNUAL PERFORMANCE ASSESSMENT

The Board, through the Nomination Committee had assessed the performance and effectiveness of the Audit Committee by way of questionnaire for directors’ feedback. Based on the outcome and recommendation made, the Board was satisfied that the Audit Committee members were able to, and had discharged their functions, duties and responsibilities in accordance with the terms of reference of the Audit Committee.

All the Audit Committee members have undertaken continuous professional development to keep themselves abreast of the relevant skills, knowledge and latest developments on guidelines, rules and regulations. The details of training programmes attended by the Audit Committee members are set out on pages 67 and 68 of this Annual Report.

SUMMARY OF ACTIVITIES

Below is a summary of the Audit Committee's activities in discharging its functions and duties for the year under review:

Financial Reporting

- (a) Reviewed the Group's unaudited quarterly financial reports, including the press releases and announcements, focusing particularly on changes in accounting standards, significant and unusual matters, compliance with accounting standards and other statutory and regulatory requirements before recommending to the Board for approval and public release.

The Group's unaudited quarterly financial reports for the fourth quarter of 2021/22 and for the first, second, third and fourth quarters of 2022/2023 were reviewed at the Audit Committee meetings on 24 May 2022, 24 August 2022, 23 November 2022, 22 February 2023 and 24 May 2023 respectively.

- (b) Reviewed the annual financial statements of the Group with the external auditor prior to submission to the Board for approval. The Audit Committee deliberated on the significant judgements with management and significant matters highlighted by the external auditor on accounting and auditing matters.
- (c) Reviewed the Group's annual report for the financial year ended 31 March 2022, interim report for the six months ended 30 September 2022 and annual report for the financial year ended 31 March 2023 at the Audit Committee meetings on 24 May 2022, 23 November 2022 and 24 May 2023 respectively, prior to submission to the Board for approval.
- (d) Reviewed the going concern basis applied for preparing the Group's consolidated financial statements. The Audit Committee's assessment was based on reports by management and took note of the principal risks and uncertainties, the Group's existing financial position, its financial resources, capital expenditures and expectation for future performance.

Internal Audit

- (a) Reviewed and approved the risk-based annual internal audit plan which outlined the audit strategy, approach and budget for the financial year ended 31 March 2023 on 24 August 2022. The audit plan was developed through a comprehensive planning process that identified and prioritised the principal risk areas. The Internal Audit Function also updated the Audit Committee on its work activities, including the progress against the 2022/2023 audit plan, on a quarterly basis.
- (b) Reviewed and deliberated on issues highlighted by the Internal Audit Function on effectiveness and adequacy of governance, risk management, operational and compliance processes including but not limited to prevention of bribery and corruption measures.
- (c) Reviewed the recommendations by the Internal Audit Function, appraised the corrective actions taken by management in resolving the internal control issues reported and ensured all issues highlighted were adequately addressed on a timely basis.
- (d) Reviewed the adequacy of resources required and competency of the Internal Audit Function to execute the audit plan.

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External Audit

- (a) Reviewed the revised policy for assessment of the suitability and independence of external auditor and recommended to the Board for approval.
- (b) Reviewed the external auditor's annual audit plan memorandum which outlined the audit strategy, approach and scope of the statutory audit of the Group's consolidated financial statements for the financial year ended 31 March 2023 on 22 February 2023.
- (c) Reviewed the audit fees proposed by the external auditor together with management and recommended the negotiated fees agreed with the external auditor to the Board for approval.
- (d) Assessed the qualification, expertise, resources and effectiveness of the external auditor.
- (e) Reviewed the written assurance from the external auditor dated 23 November 2022 to confirm its independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- (f) Reviewed the key audit matters and other relevant disclosures in the annual financial statements for the financial year ended 31 March 2023 together with management's response to the audit findings on 24 May 2023.
- (g) Reviewed the performance and assessed the independence, objectivity and suitability of the external auditor and the services provided, including non-audit services, in accordance with the Policy for assessment of the suitability and independence of external auditor. Non-audit fees totalling US\$111,000 were paid to the external auditor and its other member firms for the financial year ended 31 March 2023 for the corporate tax advisory services and other agreed-upon procedures provided.
- (h) Had two private meetings with the external auditor on 23 November 2022 and 24 May 2023 respectively, in the absence of the executive directors and management to discuss matters concerning audit and financial statements. The Audit Committee also enquired about the proficiency and adequacy of resources in the financial reporting functions, evaluation of the internal control system and any other observations the external auditor may have had during the audit process.

Risk Management

- (a) Reviewed the adequacy and effectiveness of the risk management system.
- (b) Reviewed the risk assessment reports submitted by the Group Executive Committee on key risks faced by the Group. Significant risk issues were summarised and communicated to the Board.
- (c) Reviewed the risk assessment reports and risk management activities of the Group.

Related Party Transactions

- (a) Reviewed on a quarterly basis the related party transactions and recurrent related party transactions (or continuing connected transactions) entered into by the Group and ensured all transactions were carried out on an arm's length basis and on normal commercial terms.
- (b) Reviewed the circular to shareholders in respect of the proposed shareholders' mandate for recurrent related party transactions.

Others

- (a) Reviewed the Audit Committee Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control for approval before inclusion in the Annual Report 2022/2023, prior to recommending the same to the Board for approval.
- (b) Received and reviewed updates on the arrangement (including investigation and follow-up action) for employees of the Group to raise concerns about possible improprieties in financial reporting, internal controls, bribery and corruption or other matters through the Whistle Blowing Policy adopted by the Group.
- (c) Reviewed the training programs for senior staff in the Group's accounting, internal audit and financial reporting functions.

INTERNAL AUDIT FUNCTION

The in-house Internal Audit (IA) Function supports the Audit Committee in discharging its responsibilities by providing independent and objective assessment on the adequacy and effectiveness of governance, risk management and internal control processes. The IA Function is guided by the Internal Audit Charter approved by the Audit Committee which sets out its purpose, scope, authority, independence and responsibility.

The IA Function reports functionally to the Audit Committee and administratively to an executive director. The Audit Committee reviewed the adequacy of scope, functions, competency and resources of the IA Function annually. Further information on resources, objectivity and independence of the IA Function are provided in the Corporate Governance Overview Statement in accordance with Practice 10.2 of the Malaysian Code.

The IA Function adopts a risk-based, systematic and discipline approach in planning and conducting the reviews. Internal audit reports were presented quarterly to the Audit Committee incorporating the findings, recommendations and responses from relevant management members who were responsible for the corrective actions within the required timeframe. During the year, the IA Function had based on its approved annual internal audit plan, conducted operational and compliance review on areas with respect to the monitoring of the Anti-bribery and Corruption Policy, expenditure, collection and payment, information technology and other related business process of the Group. Follow-up reviews were also carried out to monitor the timely implementation of remedial actions and the status was reported to the Audit Committee.

The related party transactions and recurrent related party transactions (or continuing connected transactions) entered into by the Group were reviewed by the IA Function quarterly.

For the financial year ended 31 March 2023, total costs incurred for the IA Function were approximately US\$96,000 as compared to US\$112,000 in the year 2021/2022.

This Audit Committee Report was approved by the Board on 29 May 2023.