

Audit Committee Report

The Board is pleased to present the Audit Committee Report for the financial year ended 31 March 2020.

COMPOSITION AND ATTENDANCE

The Audit Committee comprises three members who are all independent non-executive directors and each of whom satisfies the “independence” requirements contained in both the HK Listing Rules and the Bursa Securities Listing Requirements. No alternate director is appointed as a member of the Audit Committee. The Audit Committee Chairman, Mr YU Hon To, David, is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate of the Hong Kong Institute of Certified Public Accountants. Accordingly, the Company has complied with paragraph 15.09 of the Bursa Securities Listing Requirements.

Details of the composition of the Audit Committee and the attendance of each member during the year are set out below:

| Name of member | Number of meetings attended | Percentage of attendance (%) |
|---|-----------------------------|------------------------------|
| Mr YU Hon To, David (<i>Chairman</i>) | 4/4 | 100% |
| Datuk CHONG Kee Yuon | 4/4 | 100% |
| Mr KHOO Kar Khoon | 4/4 | 100% |

Through an annual Board Committee effectiveness assessment, the Board is satisfied that the Audit Committee and its members have discharged their duties and responsibilities in accordance with their terms of reference.

MEETINGS

The Audit Committee held a total of four meetings during the year. The meetings were appropriately structured through the use of agendas, which had been distributed to the members with sufficient notification. The Group CEO, the relevant executive directors, Head of Internal Audit, external auditor and senior finance executives who were responsible for the accounting and financial reporting function also attended the meetings and briefed the Audit Committee on specific issues.

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

All members of the Audit Committee have and will continue to undertake professional development to keep themselves abreast of relevant developments in accounting and auditing standards, corporate governance practices and rules. Details of the training programmes and seminars attended by the members are set out on page 51 of this Annual Report.

TERMS OF REFERENCE

The terms of reference of the Audit Committee are available on the Company’s website at www.mediachinesegroup.com.

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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 2018/2019 and for the first, second, third and fourth quarters of 2019/2020 were reviewed at the Audit Committee meetings on 23 May 2019, 28 August 2019, 22 November 2019, 25 February 2020 and 22 June 2020 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 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 2019, interim report for the six months ended 30 September 2019 and annual report for the financial year ended 31 March 2020 at the Audit Committee meetings on 23 May 2019, 22 November 2019 and 22 June 2020 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 and budget for the financial year ended 31 March 2020 on 28 August 2019. The annual plan was developed through a comprehensive planning process to ensure the principal risk areas were adequately covered in the plan.
- (b) Reviewed and deliberated on issues highlighted by the Internal Audit Function on effectiveness and adequacy of governance, risk management, operational and compliance processes.
- (c) Reviewed the recommendations by the Internal Audit Function and appraised the corrective actions taken by management in resolving the audit issues reported as well as ensuring that all issues 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 with the external auditor the audit plan, strategy and scope of statutory audit of the Group's consolidated financial statements for the financial year ended 31 March 2020 on 22 November 2019.
- (b) Reviewed the audit findings and issues arising from the annual audit together with management's response to the findings of the external auditor.

On 22 June 2020, the Audit Committee reviewed the external auditor's report with regard to the key audit matter and other relevant disclosures in the annual financial statements for the financial year ended 31 March 2020.

- (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 performance and assessed the independence, objectivity and suitability of the external auditor and the services provided, including non-audit services. Non-audit fees totaling US\$51,000 were paid to the external auditor and its other member firms for the financial year ended 31 March 2020 for the corporate tax advisory services provided.
- (f) Reviewed the written assurance from the external auditor on 22 November 2019 to confirm on its independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- (g) Had two private meetings with the external auditor on 22 November 2019 and 22 June 2020 respectively, in the absence of the executive directors and management, to discuss matters concerning audit and financial statements. The Audit Committee also enquired on the proficiency and adequacy of resources in the financial reporting functions, evaluation of the internal control system and any other observations they 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 the related party transactions and recurrent related party transactions (or continuing connected transactions) entered into by the Group on quarterly basis 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.

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Others

- (a) Reviewed the Audit Committee Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2019/20.
- (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 or other matters through the Whistle blowing Policy adopted by the Group.
- (c) Reviewed the training programs for staff in the Group's accounting, internal audit and financial reporting functions.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the Internal Audit Function in discharging its duties and responsibilities. The Internal Audit Function, being the third line of defence, provides independent assessments on the adequacy and effectiveness of governance, risk management and internal control processes of the Group. The Audit Committee approved the Internal Audit Charter, which sets out its role, scope, authority and responsibility to ensure the Internal Audit Function is independent and able to function effectively.

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

The Internal Audit Function adopts a risk-based methodology in planning and conducting audits so that relevant controls addressing key risks areas are identified and assessed on a timely basis. Audit engagements are performed with impartiality, proficiency and due professional care. Internal audit reports were presented to the Audit Committee incorporating the findings, recommendations and management's responses to the findings. The relevant management members were made responsible for ensuring that corrective actions on reported weaknesses were implemented within the required timeframe. The Internal Audit Function carries out follow-up reviews to obtain updates on the progress of the remedial actions and reports the status to the Audit Committee. During the financial year ended 31 March 2020, the Internal Audit Function reviewed the Group's newspapers sales activities, payment and collection.

The related party transactions and recurrent related party transactions (or continuing connected transactions) entered into by the Group were reviewed by the Internal Audit Function on a quarterly basis.

The total costs incurred for the Internal Audit Function of the Group for the financial year ended 31 March 2020 were approximately US\$153,000.

This Audit Committee Report was approved by the Board on 24 June 2020.