



MEDIA CHINESE INTERNATIONAL LIMITED

世界華文媒體有限公司

(Incorporated in Bermuda with limited liability)

(Malaysia Company No. 995098-A)

(Hong Kong Stock Code: 685)

(Malaysia Stock Code: 5090)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. Formation

The Audit Committee was formed pursuant to the board resolution of Media Chinese International Limited (the “Company”, together with its subsidiaries, the “Group”) passed on 30 March 1999.

2. Composition

The Audit Committee shall be appointed by the board of Directors of the Company (the “Board”) from amongst the Directors and shall consist of not less than three (3) members. All Audit Committee’s members must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors. An alternate Director must not be appointed as a member of the Audit Committee.

The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

No former key audit partner shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee.

At least one 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 Malaysian Accountants Act, 1967, or must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Malaysian Accountants Act, 1967; or
- c) Must have a degree/masters/doctorate in accounting or finance and at least 3 years’ post qualification 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) Fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad (“Bursa Securities”).
- f) Is an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Listing Rules”).

3. Quorum

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two.

4. Chairman

The members of the Audit Committee shall elect a chairman among themselves who shall be an Independent Non-Executive Director and who is not the Chairman of the Board.

In the absence of the Chairman of the Audit Committee, the other members present shall elect one of themselves to chair the meetings of the Audit Committee.

5. Meetings

The meetings and proceedings are governed by the provisions contained in the Bye-Laws of the Company for regulating meetings and proceedings of Directors.

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the chairman shall decide in order to fulfill its duties.

The finance director, the financial controller and a representative of the external auditor shall normally attend meetings of the Audit Committee. Other Board members shall also have the right of attendance.

At least twice a year the Audit Committee shall meet with the external auditor without the presence of Executive Directors and the management.

The Audit Committee may invite any person to be in attendance to assist it in its deliberations.

Questions arising at any meeting of Audit Committee shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination of the Audit Committee.

In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.

The Audit Committee shall be reporting to the full Board from time to time its recommendation for consideration and implementation and the actual decision shall be the responsibility of the Board after considering the recommendation of the Audit Committee.

The company secretary shall be the secretary of the Audit Committee. The secretary shall maintain minutes of the proceedings of the meetings of the Audit Committee.

In the absence of the company secretary in any meeting of the Audit Committee, the members present at the meeting shall elect another person as the secretary of the meeting.

6. Objectives

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

7. Authority

The Audit Committee is authorised by the Board:

- a) To investigate any activity within duties and responsibilities outlined in its terms of reference;
- b) To seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee; and
- c) Subject to prior discussion concerning the costs, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary and reasonable for the performance of its duties.

It shall have:

- a) The authority to investigate any matter within its terms of reference;
- b) The resources which are sufficient to perform its duties;
- c) Full and unrestricted access to any information pertaining to the Company;
- d) Direct communication channels with the external and internal auditors;
- e) The right to obtain independent professional or other advice; and
- f) The rights to convene meetings with the external auditor, the internal auditor or both, excluding the attendance of the other directors of the Company and employees of the Group, whenever deemed necessary.

8. Duties and responsibilities

The duties and responsibilities of the Audit Committee shall be:

- a) To be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- b) To discuss any letter of resignation from the external auditor of the Company and whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment, and to recommend the nomination of a person or persons as external auditor;

- c) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. The assessment on the suitability, objectivity and independence of the external auditors should be conducted annually;
- d) To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- e) To act as the key representative body for overseeing the Company's relations with the external auditor;
- f) To review the following and report the same to the Board:
 - (i) the audit plan;
 - (ii) the evaluation of the system of internal controls;
 - (iii) the audit report;
 - (iv) the assistance given by the employees of the Group to the external auditor;
- g) To monitor integrity of the Company's financial statements and annual report and accounts, half-year report, quarterly report and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - (i) any changes in and implementation of accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and qualifications;
 - (v) compliance with accounting standards;
 - (vi) compliance with the HK Listing Rules, Bursa Securities Listing Requirements and other legal requirements in relation to financial reporting; and
 - (vii) significant matters being highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are address;
- h) Regarding to g) above:
 - (i) members of the Audit Committee should liaise with the Company's Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditor; and
 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditor;

- i) To review and discuss the Group's financial controls, risk management and internal control 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;
- j) To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- k) To ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness; and to review the adequacy of the scope, function, competency and resources of the internal audit functions and that it has the necessary authority to carry out its works, and to review the internal audit programme, processes, the 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;
- l) To review the Group's financial and accounting policies and practices;
- m) To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of controls and management's response;
- n) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- o) To report to the Board on the matters in the terms of reference of the Audit Committee;
- p) To review any related party transaction and conflict of interest situation that may arise within the Company or its subsidiaries including any transaction, procedure or course of conduct that raises questions of management integrity;
- q) To review any appraisal or assessment of the performance of members of the internal audit function, and to approve any appointment or termination of senior staff members of the internal audit function, and to take cognizance of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resignation;
- r) To review arrangements for employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- s) To discuss problems and reservations arising from the interim review and final audit, and any matters the auditor may wish to discuss (in the absence of management where necessary); and
- t) To consider other topics, as defined by the Board.

9. Reporting procedures

- a) The Head of Internal Audit Function shall functionally report directly to the Audit Committee.
- b) The company secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.

10. Reporting of breaches to Bursa Securities

Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Securities Listing Requirements, the Audit Committee must promptly report such matter to Bursa Securities.

11. Review of the Audit Committee

The nominating committee of the Company must review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference.

These Terms of Reference will be posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.