

# Terms of Reference of Audit Committee

Revised on 1st January, 2009 pursuant to the Code on Corporate Governance Practices.

## (1) MEMBERSHIP

- 1.1 The Audit Committee (the “Committee”) is appointed by the board of directors of the Company (the “Board”) from amongst the non-executive Directors.
- 1.2 The Committee shall comprise a minimum of three members (the “Members”). The majority of the Members shall be independent non-executive Directors (“INED”) and at least one INED 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 “Listing Rules”).
- 1.3 The Committee must be chaired by an INED.
- 1.4 A former partner of the existing auditing firm of the Company is prohibited from acting as a member of the Committee for a period of 1 year commencing on the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.
- 1.5 Company Secretary shall be the secretary of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

## (2) MEETINGS

- 2.1 The Committee shall meet at least twice each year. A Member, a director, the Group Financial Controller or the Company's external auditors may request that a meeting be held if they consider it necessary.
- 2.2 Notice of any meetings has to be given at least 7 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 7 days.
- 2.3 The quorum for decisions of the Committee shall be any two Members.
- 2.4 Resolutions of the Committee shall be passed by a majority of votes which can also be passed by way of unanimous written resolutions. Meetings can be held in person, by telephone or by video conference.

- 2.5 Minutes shall be kept by the secretary of the Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively, in both cases within a reasonable period of time after the meeting.

### **(3) ATTENDANCE**

- 3.1 The Group Financial Controller and the Company Secretary will normally attend all the Meetings, unless requested otherwise by the Committee.
- 3.2 At least once a year, the Committee will meet the Company's external auditors without any senior executives of the Company being present, except by invitation of the Committee.
- 3.3 Only Members are entitled to vote at the meetings.

### **(4) AUTHORITY**

- 4.1 The Committee is authorised by the Board to investigate any activity within its functions and responsibilities outlined in these terms of reference. It is authorised to seek any information it may require from any employee, director, agent or advisor and all such persons will be directed to co-operate with any request made by the Committee.
- 4.2 The Committee shall have unrestricted access to the Executive Directors, other senior executives or employees and the external auditors of Company. The Committee shall also have the right to consult the external auditors without reference to management or to consult the management without reference to the external auditors.
- 4.3 The Committee is authorised by the Board to seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member. Arrangement to seek independent professional advice could be made through the Company Secretary.
- 4.4 The Committee shall be provided with sufficient resources to discharge its duties.

## **(5) DUTIES**

### **5.1 Relationship with the Company's External Auditors**

- 5.1.1 to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;

*Note: Rule 13.51(4) of the Listing Rules requires an announcement to be published when there is a change of auditors. The announcement must also include a statement as to whether there are any matters that need to be brought to holders of securities of the Issuer.*

- 5.1.2 to review and monitor the external auditor's independence and objectivity;
- 5.1.3 to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.1.4 to develop and implement policy on the engagement of external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally; and
- 5.1.5 to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

### **5.2 Review of financial information of the Company**

- 5.2.1 to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports (if applicable), and to review any significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly reports (if applicable) before submission to the Board, the Committee shall focus particularly on:

- (a) any changes in accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules and any other legal requirements in relation to financial reporting;

5.2.2 In regard to 5.2.1 above:-

- (a) Members must liaise with the Board, senior management and the Group Financial Controller and the Committee must meet, at least once a year, with the Company's external auditors; and
- (b) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Group Financial Controller (or other staff responsible for the accounting and financial reporting function), compliance officer (or person occupying the same position), or external auditor.

### **5.3 Oversight of the Company's financial reporting system and internal control procedures**

- 5.3.1 to review the Company's financial controls, internal control and risk management systems;
- 5.3.2 to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- 5.3.3 to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- 5.3.4 where an internal audit function exists, 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 Company, and to review and monitor the effectiveness of the internal audit function;
- 5.3.5 to review the Group's financial and accounting policies and practices;
- 5.3.6 to review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and the management's response;
- 5.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.3.8 to report on all of the above matters to the Board; and
- 5.3.9 to consider any other matters specifically referred to the Committee by the Board.

**(6) CONFIDENTIALITY**

All Members shall treat and keep all information and documents received or accessible from the Company (including, but not limited to, the reports or minutes of the Committee) in the strictest confidence and shall not directly or indirectly communicate or disclose or divulge (whether in writing or orally or in any other manner) any such information or document to any third party without prior written approval from the Board, save as disclosure is required under the laws and regulations of Hong Kong or is necessary to perform or discharge Member's duties.

**(7) PUBLICATION OF THESE TERMS OF REFERENCE**

A copy of the terms of reference will be made available to any person without charge upon request.