



Audit Committee Terms of Reference

I. Purpose

- a) The Audit Committee (“the Committee”) will assist the Board of Directors of the Company (“the Board”) oversight of the integrity of the Company’s financial statements, compliance with legal and regulatory requirements, the external auditors’ qualifications and independence and the performance of the internal audit function and the external auditors who are ultimately responsible to the Board.
- b) The Committee will keep an open line of communication between the Committee, the external auditors, the internal auditors and the financial management.
- c) In carrying out its responsibilities, the Committee believes that the policies and procedures stated herein should remain flexible in order to react best to changing business and regulatory requirements.

II. Organization

- a) The members of the Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than three members, the majority of whom must be independent non-executive directors.
- b) The Chairman of the Committee shall be an independent director.
- c) If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced below three, the Board shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.
- d) The term of office of the Committee members should be reviewed by the Board annually.
- e) Meetings shall be held not less than four times a year. The Company Secretary or its representative shall be duly appointed as the secretary of the meeting. Draft and final versions of minutes of meetings should be sent to all members of the Committee for their comment and records respectively within a reasonable time after the meeting.



III. Authority

- a) The Committee is authorised by the Board to investigate any activities within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee.
- b) The Committee shall have unlimited access to all information and documents relevant to its activities as well as to the internal and external auditors and senior management of the Company.
- c) The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise when necessary.

IV. Roles and Responsibilities

The roles and responsibilities of the Committee shall be:

Relationship with the external auditors

- a) To act as the key representative body for overseeing the Company's relation with the external auditors.
- b) To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal.
- c) To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditors the nature and scope of the external audit and reporting obligations before the audit commences, and may request the audit plan of the external auditors for review.
- d) To develop and implement policy on engaging external auditors to provide non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.
- e) To ensure that assistance and co-operation are properly given by the employees of the Company to the external auditors.
- f) To meet formally, at least twice a year, with the external auditors to discuss all matters related to the audit and any other matters which the auditors may wish to bring up.

Review of financial information

- g) To monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard the Committee should focus on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments arising from the audit;
 - (iv) the going concern assumptions and any qualifications;



- (v) compliance with accounting standards; and
- (vi) compliance with the Hong Kong Stock Exchange Listing Rules and legal requirements in relation to financial reporting.
- h) The members of the Committee should liaise with the Board and senior management and the Committee must meet, at least once a year, with the external auditors, in the absence of management and the Executive Directors where necessary.
- i) The Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, the compliance officer or the external auditors.

Oversight of the financial reporting system and internal control procedures

- j) To review the Company's financial controls, internal control and risk management systems.
- k) To discuss the internal control system with management to ensure that management has perform its duty to have an effective internal control system. This discuss should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- l) To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings.
- m) To review the Company's financial and accounting policies and practices.
- n) To review the external auditors' management letter, any material queries raised by the external auditors to management about the accounting records, financial accounts or systems of control and management's response.
- o) To ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.
- p) To review the evaluation of the system of internal controls by the external auditors and the Company's statement on internal control system (where one is included in the annual report) prior to endorsement by the Board.
- q) To review any related party transactions and conflict of interest situations that may arise within the Company.
- r) To consider other topics, as defined by the Board.

Relationship with internal auditors

- s) To ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has the appropriate standing within the Company.
- t) To review and monitor the effectiveness of the internal audit function and to conduct meetings separately with the external auditors and internal auditors to discuss related issues, in the absence of the management and the Executive Directors where necessary.



- u) To review the scope of the internal audit programme for the current year and the summary of the results, and particularly, its implications on risk assessment and management.
- v) To review with the internal auditors the adequacy of the system of internal controls and the responsiveness of management in correcting audit-related deficiencies.
- w) To review the performance of the internal auditors.

V. Other Responsibilities

- a) The Committee will maintain procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters.
- b) To review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- c) Following each meeting, the Committee will report on the proceedings to the full Board. The secretary shall circulate the minutes of meetings to all members of the Board.
- d) On an annual basis, the Committee will assess the adequacy of the terms of reference, and, will evaluate the Committee's own performance.
- e) The Committee will report to the Board on the matters in this terms of reference.