Audit Committee - Terms of Reference

1. Membership

1.1 Members of the Audit Committee shall be appointed by the board of directors (the "Board").

1.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.

1.3 The majority of the members of the Audit Committee must be independent non-executive directors ("INED(s)") at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

1.4 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 1 year from the date of ceasing:

(a) to be a partner of the firm; or
(b) to have any financial interests in the firm,

whichever is later.

2. Chairman

2.1 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

3. Secretary

3.1 The company secretary shall be the secretary of the Audit Committee.

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

4. Quorum

4.1 The quorum for meetings of the Audit Committee shall be any two members.

4.2 A duly convened meeting of the Audit Committee at which a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

5. Frequency of meetings

5.1 The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee shall be held as and when required.

5.2 The external auditors may request a meeting if they consider that one is necessary.

6. Attendance at meetings

6.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person, by telephone or other electronic means.

6.2 The chief financial officer and/or the financial controller and/or a representative of the external auditors shall normally attend meetings along with the members of the Audit Committee. However, at least twice a year the Audit Committee shall meet with the external auditors.

6.3 The secretary of the Audit Committee (or his/her delegate) shall attend all meetings of the Audit Committee to take minutes.

7. Notice of meetings

7.1 A meeting of the Audit Committee may be convened by any of its members, or by the secretary of the Audit Committee or at the request of the external auditors.

7.2 Unless otherwise agreed by all the members of the Audit Committee, notice of at least 14 days shall be given of a regular meeting of the Audit Committee, and such notice shall sent to each member of the Audit Committee, and to any other person invited to attend. For all other meetings of the Audit Committee, reasonable notice shall be given.

7.3 In respect of regular Audit Committee meetings, and so far as practicable in all other cases, an agenda and accompanying supporting papers shall be sent to all members of the Audit Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as agreed).

7.4 Any member of the Audit Committee shall be entitled, by notice to the secretary of the Audit Committee, to include other matters relevant to the functions of the Audit Committee in the agenda of an Audit Committee meeting.

8. Minutes of meetings

8.1 The secretary of the Audit Committee (or his/her delegate) in attendance at the meetings of the Audit Committee shall minute in sufficient detail the matters considered and decisions reached at such meetings. The minutes shall also include any concerns raised by any member of the Audit Committee and/or dissenting views expressed.

8.2 Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comments and records respectively, in both cases within a reasonable time after the meeting. Once the minutes are signed, the secretary shall circulate the minutes of the Audit Committee meeting to all members of the Board.

8.3 Minutes of the Audit Committee shall be kept by the secretary of the Audit Committee and shall be available for inspection by any member of the Audit Committee or the Board at reasonable time on reasonable notice.

8.4 Resolutions of the Audit Committee at any meetings shall be passed by a simple majority of votes of the members present.

8.5 A resolution in writing signed by all the members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

9. Annual general meeting

9.1 The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to answer questions at the Annual General Meeting on the Audit Committee's activities and their responsibilities.

10. Other regulations governing the meeting and proceedings of the Audit Committee

10.1 Unless otherwise specified above, the provisions contained in the Company's Bye-laws for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

11. Duties

The duties of the Audit Committee are as follows:-

11.1 <u>Relationships with the Company's auditors</u>

(a) 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;

(b) to review and monitor that external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standards;

(c) to discuss with the auditors before the audit commences, the nature and scope of the audit and reporting obligations;

(d) to develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, "external auditors" 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; and

(e) to act as the key representative body for overseeing the Company's relations with the external auditors.

11.2 <u>Review of the Company's financial information</u>

(a) to monitor 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 judgment contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:-

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standard; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(b) Regarding 11.2(a) above:-

(i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must, meet at least twice a year, with the Company's auditors; and

(ii) the Audit Committee shall 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 Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors.

11.3 <u>Oversight of the Company's financial reporting system and internal control procedures</u>

(a) to review the Company's financial controls, internal control and risk management systems;

(b) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(c) 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;

(d) 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 its effectiveness;

(e) to review the group's financial and accounting policies and practices;

(f) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(h) to review arrangements employees of the Company 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;

(i) to report to the Board on the matters set out herein and, in particular, the matters required to be performed by the Audit Committee under the relevant code provisions stated in Appendix 14 to the Listing Rules; and

(j) to consider other topics, as defined by the Board.

12. Reporting responsibilities

12.1 The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.

13. Others

13.1 The Audit Committee shall be provided with sufficient resources to perform its duties.

13.2 All members of the Audit Committee shall have access to the advice and services of the secretary of the Audit Committee with a view to ensuring that procedures of the Audit Committee and all applicable rules and regulations are followed.

13.3 In the event that the Audit Committee or any member of the Audit Committee requires access to outside independent professional advice in connection with his duties, a request may be made to the Board through the company secretary. All such requests shall be processed in accordance with the Company's pre-defined procedures for seeking independent professional advice at the Company's expense.

13.4 Every member of the Audit Committee shall ensure that he can give sufficient time and attention to his duties as a member of the Audit Committee. He shall give the Company the benefit of his skills and expertise through regular attendance and active participation.

14. Authority

14.1 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any employee and all employees are directed to co-operate with any reasonable request made by the Audit Committee.

14.2 The Audit Committee and each of its members shall have separate and independent access to the Company's senior management.

15. Publication of the terms of reference of the Audit Committee

15.1 The terms of reference of the Audit Committee, as amended from time to time, are posted on the websites of the Company and the Stock Exchange.