

PARKSON 百盛

PARKSON RETAIL GROUP LIMITED

百盛商業集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3368)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. **Objective**

The Audit Committee shall be responsible for ensuring the objectivity and credibility of financial reporting of the Group.

The Audit Committee shall also be responsible for reviewing the Group's financial controls, internal control and risk management system. Accordingly, it will work closely with the Compliance Officer, In-House Counsel and internal audit as well as members of senior management to ensure the internal control procedures are adhered to and operate effectively to manage the risks of the Group.

2. **Membership**

The Audit Committee shall comprise a minimum of three members. At least 2 members must be INEDs. The third member need not be an INED but must be a non-executive Director. At least one of the INEDs shall have appropriate professional qualifications or accounting or related financial management expertise. All of them shall be appointed by the Board. A quorum shall be a simple majority of the Directors who are members of the Audit Committee.

A former partner of the Company's existing auditing firm may not act as a member of the Audit Committee for a period of two years commencing on the date of his ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is the later.

The chairman of the Audit Committee shall be appointed by the Board from among its INEDs.

3. **Frequency of meetings**

The Audit Committee shall meet at least twice a year. The external auditor may request a meeting if it considers it necessary but the committee must meet with the external auditor at least twice a year.

4. **Notice of meetings**

Meetings of the Audit Committee shall be called by its chairman or at the request of the Board.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Audit Committee and any other person required to attend no fewer than three working days prior to the date of the meeting.

5. **Attendance at meetings**

The CFO, Chief Internal Auditor, In-House Counsel, the Compliance Officer and a representative of the external auditor shall normally attend meetings. Other Board members shall have the right to attend meetings of the Audit Committee. However, the Audit Committee shall meet with the external auditor of the Company without the presence of its executive Directors at least once a year.

The Company Secretary or his/her nominee shall be the secretary of the Audit Committee.

6. **Authority**

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 requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

The Audit Committee is authorised by the Board, at the Company's expense, to appoint legal or other independent professional advisers with relevant experience and expertise to assist the Audit Committee and to secure the attendance of such professional advisers at its meetings if it considers it necessary.

The Audit Committee is authorised to require management to provide it with such resources as may be necessary for it to discharge its duties.

7. **Duties**

The duties of the Audit Committee shall be:

7.1 **Relationship with external auditor**

- (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 regarding the resignation or dismissal of the external auditor;
- (B) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (C) to discuss with the external auditor before the audit process commences, the nature and scope of the audit, and ensure co-ordination where more than one auditor is involved; and
- (D) to develop and implement policy on engaging an external auditor to supply non-audit services (for which 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) and report to the Board on such policy, identifying and making recommendations on any matters where action or improvement is needed

7.2 **Review of financial information**

- (A) to monitor the integrity of the Group's financial statements, annual report and account, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgements contained in them;

- (B) in reviewing the half-year and annual financial statements before submission to the Board, to focus particularly on:
- (1) any changes in accounting policies and practices;
 - (2) major judgmental areas;
 - (3) significant adjustments resulting from the audit;
 - (4) the going concern assumption;
 - (5) compliance with accounting standards; and
 - (6) compliance with listing rules and other legal requirements in relation to financial reporting,
- and to:
- (7) liaise with the Company's Board, senior management and person appointed as the Company's qualified accountant to carry such review; and
 - (8) consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and give due consideration to any matters that have been raised by the Company's qualified accountant, Compliance Officer or auditors.

7.3 Financial Controls, Internal Control and Risk management function

Financial Control and Internal Control System

- (A) to review the Group's financial controls and internal control system and discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (B) to review the Group's statement on internal control systems to be included in the annual report prior to endorsement by the Board;
- (C) to consider the findings of any major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (D) to review and monitor the effectiveness of the internal audit programme (which will be established by the Compliance Officer/In-House Counsel), ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group and to review and monitor the effectiveness of the internal audit function;
- (E) to act as the key representative body for overseeing the Company's relationship with the external auditor; and discuss problems and reservations arising from the interim and final financial statements, and any other matters the external auditor may wish to discuss (in the absence of management where necessary);
- (F) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

- (G) to review the Group's financial and accounting policies and practices;
- (H) to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter; and
- (I) to review the audit report and recommendations submitted by the external auditors.

Risk Management System

- (A) to review the effectiveness of the Group's risk management system;
- (B) to discuss with the management the system of risk management and ensure that management has discharged its duty to have an effective system;
- (C) to consider the findings of any major investigations of risk management matters as delegated by the Board or on its own initiative and management's response;
- (D) to monitor and update the Group's risk profile and action plans arising from the risk management process; and
- (E) to ensure that risk management becomes an integral part of the routine business function.

7.4 General

- (A) to review the group's financial and accounting policies and practices;
- (B) to review arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (C) to report to the Board on the matters set out in this Paragraph 7; and
- (D) to consider other topics, as defined or instructed by the Board.

8. Reporting procedures

The secretary of the Audit Committee shall circulate the draft and final minutes of meetings of the Audit Committee to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

The secretary of the Audit Committee shall circulate the minutes of meetings of the Audit Committee to all members of the Board.

20 November 2018