

## **TERMS OF REFERENCE OF AUDIT COMMITTEE**

### **1. MEMBERSHIP**

- 1.1 Members of the Audit Committee shall be appointed by the board of directors (the “Board”) of the Company.
- 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 (“INEDs”), 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 No former partner of the Company’s existing auditing firm may serve as a member of the Audit Committee for a period of two years from the date of the person ceasing (a) to be a partner of the firm; or (b) to have any financial interest 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 company secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee shall attend the meeting of the Audit Committee and take minutes.

## **4. PROCEEDINGS OF MEETINGS**

Unless otherwise specified hereunder, the provisions contained in the Company's By-laws (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

### **4.1 Quorum**

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

4.1.2 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.

### **4.2 Frequency of meetings**

4.2.1 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 before their finalisation. Additional meetings of the Audit Committee shall be held as and when required.

4.2.2 The external auditors may request a meeting if they consider necessary.

### **4.3 Attendance at meetings**

4.3.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication.

4.3.2 The finance director, the head of internal audit, and a representative of the external auditors shall normally attend meetings along with the members of the Audit Committee. However, at least once a year the Audit Committee shall meet with the external and internal auditors without executive Board members present.

### **4.4 Notice of meetings**

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

4.4.2 Unless otherwise agreed by all the members of the Audit Committee, notice of at least 14 days shall be given for a regular meeting of the Audit Committee, and such notice shall be 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.

4.4.3 For regular Audit Committee meetings, and as 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 other agreed period).

4.4.4 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.

#### **4.5 Minutes of meetings**

4.5.1 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.

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

4.5.3 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 any reasonable time on reasonable notice.

### **5. AUTHORITIES**

5.1 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.

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

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

5.4 All members of the Audit Committee shall have access to the advice and services of the company secretary of the Audit Committee to ensure that procedures of the Audit Committee and all applicable rules and regulations are followed.

5.5 In the event that the Audit Committee or any member of the Audit Committee requires access to independent professional advice in connection with his/her 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.

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

## **6. DUTIES, POWERS AND FUNCTIONS**

- 6.1 The duties of the Audit Committee include the following:

### **Relationship with the Company's auditors**

- (a) to be primarily responsible for making recommendations 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 its resignation or dismissal;
- (b) 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;
- (c) 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;

### **Review of the Company's financial information**

- (d) 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 judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should 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 standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(e) regarding (d) 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 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, compliance officer or auditors;

**Oversight of the Company's financial reporting system, risk management and internal control systems**

- (f) to review the Company's financial controls, risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. 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;
- (h) 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;
- (i) 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;
- (j) to review the group's financial and accounting policies and practices;
- (k) 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 control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in the code provisions of Corporate Governance Code contained in Appendix 14 of the Listing Rules (as amended from time to time);
- (n) to consider other topics, as defined by the Board;

## **Independence of external auditors**

- (o) to consider all relationships between the Company and the audit firm (including non-audit services);
- (p) to obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
- (q) to meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;
- (r) to agree with the Board the Company's policies on hiring employees or former employees of the external auditors and monitoring the application of these policies. The Audit Committee should then be in a position to consider whether there has been or appears to be any impairment, of the auditor's judgement or independence for the audit;
- (s) to ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the Audit Committee may wish to consider:
  - (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;
  - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;
  - (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and
  - (iv) the criteria for compensation of the individuals performing the audit;
- (t) 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; and
- (u) to act as the key representative body for overseeing the Company's relations with the external auditor.

## **7. REPORTING RESPONSIBILITIES**

- 7.1 The Audit Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the chairman of the Audit Committee shall report to the Board on the findings and recommendations of the Audit Committee. At least annually, the Audit Committee should present a report to the Board which addresses the work and findings of the Audit Committee during the year.
- 7.2 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

## **8. ANNUAL GENERAL MEETING**

- 8.1 The chairman of the Audit Committee or in his/her absence, another member of the Audit Committee or failing this, his/her duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Audit Committee's work and responsibilities.

*Note:* If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.