



Terms of Reference of the Audit Committee

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**Constitution**

1. The board of directors (the “Board”) resolved to establish a Committee of the Board known as the Audit Committee.

**Membership**

- 2.1 Members of the Audit Committee shall be appointed by the Board.
- 2.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 2.3 The majority of the members of the Audit Committee must be independent non-executive directors (the “INED”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise.
- 2.4 A former partner of the Company’s existing audit firm shall be prohibited from acting as a member of its Audit Committee for a period of 1 year from 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 later.

- 2.5 Current members of the Audit Committee include:

Mr Lam Hin Chi (Chairman)  
Mr Li Wei  
Mr Hung Wai Man  
Mr Wang Xiaolong

**Chairman**

- 3.1 The Chairman of the Audit Committee shall be appointed by the Board and must be an INED.
- 3.2 In the absence of the Chairman at any meeting of the Audit Committee, the remaining members of the Audit Committee present at any meeting convened in accordance with this Terms of Reference shall elect among the remaining members of the Audit Committee to act as the Chairman of the meeting.

## **Secretary**

- 4.1 The company secretary shall be the secretary of the Audit Committee.
- 4.2 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.

## **Quorum**

- 5.1 The quorum of the Audit Committee meetings shall be any two members.
- 5.2 If only two members are present in any meeting of the Audit Committee, at least one member must be an INED.

## **Attendance at meetings**

- 6.1 Members of the Audit Committee may attend Audit Committee meetings either in person or through electronic means of communication.
- 6.2 The Chief Financial Officer, 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. Other Board members shall also have the right of attendance. However, at least twice a year the Audit Committee shall meet with the external and internal auditors without executive Board members present.
- 6.3 The secretary of the Audit Committee (or his/her delegate) shall attend all meetings of the Audit Committee to take minutes.

## **Frequency of meetings**

- 7.1 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 shall be held when required.
- 7.2 The external auditors may request a meeting if they consider that one is necessary.

## **Notice of meetings**

- 8.1 An Audit Committee meeting 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.
- 8.2 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).

## **Voting**

9. Questions arising at any Audit Committee meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman shall have a second or casting vote.

## **Duties**

The duties of the Audit Committee are as follows:

### 10.1 Relationships 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;
- (c) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to ensure co-ordination where more than one audit firm is involved; and
- (e) 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;

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

- (a) to monitor integrity of the Company's financial statements and the 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and legal requirements in relation to financial reporting;
- (b) Regarding to 10.2(a) above:-
  - (i) members of the Audit Committee should liaise with the Board and senior management and the 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 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;

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

- (a) to review the Company's financial controls, risk management and internal control systems;
- (b) 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 programs and budget of the Company's accounting and financial reporting function;
- (c) 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;
- (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 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;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters herein and, in particular, the matters required to be performed by the Audit Committee under the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules; and
- (i) to consider other topics, as defined by the Board.

### 10.4 Review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and 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

### 10.5 Act as the key representative body for overseeing the Company's relations with the external auditor.

## **Authority**

- 11.1 The Audit Committee is authorised by the Board to investigate any activity within this 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.
- 11.2 In the event that the Audit Committee requires access to outside independent professional advice in connection with its duties, a request may be made to the Board through the secretary.

## **Reporting responsibilities**

- 12.1 Where the Board disagrees with the Audit Committee's views on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its recommendations. The Board shall include in the same report the reason(s) why the Board has taken a different view.
- 12.2 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.
- 12.3 The secretary shall circulate the minutes of meetings and reports of the Audit Committee to all members of the Board.

## **Others**

- 13.1 The duties and obligations of the Audit Committee shall be in compliance with the Listing Rules as amended from time to time.
- 13.2 The Audit Committee shall be provided with sufficient resources to perform its duties.
- 13.3 The power of interpretation of this Terms of Reference shall be vested in the Board.
- 13.4 The Board may amend this Terms of Reference from time to time.

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