



*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00380)**

**(the “Company”)**

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

### ***Membership***

1. The Audit Committee (the “Committee”) shall be appointed by the board of directors of the Company (the “Board”) from amongst the non-executive directors of the Company and shall consist of not less than three members. Majority of the members shall be independent and at least one of the independent directors shall 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”).
2. The Chairman of the Committee, who shall be a member of the Committee, shall be appointed by the Board and shall be an independent non-executive director.
3. In the event that the Committee comprises a non-executive director who is former partner of the Company’s existing auditing firm, such non-executive director shall be prohibited from acting as a member of the 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.
4. A member who wishes to resign from the Committee should provide notice in writing to the Company so that a replacement may be appointed before he/she leaves.

### ***Secretary***

5. The company secretary of the Company shall be the secretary of the Committee.

### ***Meetings***

6. A quorum shall be two members.
7. Meetings can either be held in person or through electronic means of communication such as teleconference or videoconference.
8. Meetings shall be held not less than twice a year.
9. The director in charge of finance and accounting functions and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance.
10. The meetings and proceedings are governed by the provisions contained in the Company’s bye-laws for regulating the meetings and proceedings of directors.

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

### ***Authority***

12. The 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 Committee.
13. 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 if it considers necessary and in the best interest of the Company.

### ***Duties***

14. The duties of the Committee shall be:

#### *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 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 Committee should report to the Board, identifying and make 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, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgemental areas;
  - (iii) significant adjustments resulting from the 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 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 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;

*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 this Terms of Reference;
- (n) to consider other topics, as defined by the Board;
- (o) 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

- (p) to act as the key representative body for overseeing the Company's relation with the external auditor.

***Reporting Procedures***

15. The Committee shall report to the Board on their findings, decisions and recommendations, if any, on a regular basis.

*Note: In the event of discrepancies between the Chinese and the English versions, the English version shall prevail.*