



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

### **Audit Committee**

1. The Company has established an Audit Committee.
2. The existing Audit Committee consists of three members who are the Independent Non-executive Directors of the Company. The Chairman of the Audit Committee has 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”).
3. A quorum shall be two members.

### **Attendance at meetings and minutes**

4. The qualified accountant of the Company and the representative(s) of the external auditors shall normally attend the meetings. Other Directors of the Board shall also have the right of attendance. However, at least once a year, the Audit Committee shall meet with the external auditors in the absence of management, to discuss matters relating to its audit fees, any issue from the audit, and any other matters the auditor wish to raise.
5. The company secretary of the Company shall be the secretary of the Audit Committee.
6. Full minutes of the Audit Committee meetings should be kept by the company secretary. Draft and final versions of minutes of the Audit Committee should be sent to all members of the Audit Committee for their comments and records respectively, in both cases within a reasonable time after the meeting.

### **Frequency and meetings**

7. Meetings shall be held not less than twice a year and the Audit Committee should meet the external auditor at least twice a year. The Audit Committee may meet to discuss the current year’s audit plan and prior to the finalisation of the interim and annual accounts. The external auditors may request a meeting if they consider that it is necessary.



## **Authority**

8. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are required to co-operate with any request made by the Audit Committee. The Audit Committee is authorized by the Board to obtain external legal or other independent professional advice and to secure the attendance of such advisers with relevant experience and expertise if it considers this necessary.

## **Duties**

9. **The duties of the Audit Committee are as follows:**

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

- (a) to be primarily responsible for making recommendation 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 of 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 reasonably 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 financial information of the Company**

- (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 committee should focus particularly on:-

- (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustment resulting from audit;
  - (iv) the going concern assumption 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 reports and accounts, it should give due consideration to any matters that have been raised by the Company's qualified accountant, 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 system with management to ensure that management has performed its duty to have effective 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;



- (h) to consider major investigations 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 provision for audit committee of a listed company; and
- (n) to consider other topics, as defined by the Board.
- (o) (i) 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 the fair and independent investigation of these matters and for appropriate follow up action; and (ii) to act as the key representative body for overseeing the Company's relations with the external auditor.

*Last update: 20 March 2017*