



*(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda  
with limited liability)*

**(Stock Code: 396)**

(the “**Company**” and together with its subsidiaries, the “**Group**”)

## **TERMS OF REFERENCE**

### **OF**

## **AUDIT COMMITTEE**

(the “**Committee**”)

### **1. CONSTITUTION**

The board of directors (the “**Board**”) of the Company resolved on 29 May, 2009 to establish a Committee of the Board known as the Committee.

### **2. MEMBERSHIP**

The members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company from time to time and shall consist of not less than three members. At least one of the members is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The majority of the Committee members must be independent non-executive directors. The quorum of a meeting shall be two members of the Committee.

### **3. CHAIRMAN**

The Board shall nominate one of the members (who must be an independent non-executive director) as the chairman of the Committee, provided that if he or she is not present at any meeting of the Committee, the members present may appoint a chairman for that meeting.

4. **ATTENDANCE AT MEETINGS**

Representative(s) of the Group's finance function and/or external auditors, if requested, shall attend meetings of the Committee. The Committee shall invite any appropriate person to attend the meeting whenever it is necessary. Other Board members shall also have the right of attendance.

5. **SECRETARY**

The company secretary shall act as secretary (the "**Secretary**") at any meeting of the Committee and, if the Secretary is absent, the chairman of the Committee meeting shall appoint a person, who need not be a director, to act as secretary for that meeting.

6. **FREQUENCY OF MEETINGS**

- (a) The Committee shall meet at least twice every year. Additional meetings shall be held as the work of the Committee demands.
- (b) The chairman of the Committee may convene additional meetings at his/her discretion.
- (c) The external auditor may request a meeting if they consider that one is necessary.

7. **PROCEEDINGS OF MEETINGS**

Proceedings of meetings of the Committee shall be governed by the relevant provisions of the Articles of Association of the Company for regulating the meetings and proceedings of the directors so far as the same are applicable and are not replaced by the provisions contained in these terms of reference.

(a) *Notice*

Reasonable notice of the time and place of each meeting of the Committee should be given to each member. So far as practicable, an agenda and accompanying board papers should be sent to all Committee members in a timely manner and at least 3 days before the intended date of a Committee meeting.

(b) *Voting*

At all meetings of the Committee, any questions shall be decided by a majority of votes cast by members of the Committee attending the meeting. In the case of any equality of votes, the chairman of the meeting shall have an additional or casting vote.

(c) *Resolution in writing*

Except as required by law, rules and regulations, a resolution signed by all the members of the Committee is as valid as if it had been passed at a meeting of the Committee.

(d) *Form of meeting*

Any member of the Committee may participate in a meeting of the Committee by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

8. **AUTHORITY**

(a) 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.

(b) 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 this necessary.

9. **DUTIES**

The duties of the Committee shall be:

(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.

Procedures to review and monitor the independence of external auditor may include:-

(i) consider all relationships between the Group and the audit firm (including non-audit services);

(ii) 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; and

- (iii) meet with the external 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 external auditor may wish to raise.
- (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 making recommendations on any matters where action or improvement is needed.
- (d) To monitor integrity of the Group’s financial statements, annual report and accounts (including directors’ report, chairman’s statement and management discussion and analysis), 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 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 other legal requirements in relation to financial reporting.
- (e) In regard to (d) above:-
- (i) members of the Committee should liaise with the Board, senior management and the qualified accountant and the Committee must meet, at least twice a year, with the external auditor; 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 qualified accountant, compliance officer or the external auditor.

- (f) To review the Group's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Group's 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 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) 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 Group, 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 external auditor to management about the 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 review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- (n) To act as the key representative body for overseeing the Company's relations with the external auditor.
- (o) To report to the Board on the aforesaid matters.
- (p) To consider other topics, as defined by the Board.

10. **REPORTING PROCEDURES**

The Committee shall report back to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions to do so. Full minutes of the Committee meetings should be kept by the Secretary. The Secretary shall circulate the draft and final versions of the minutes of the meetings of the Committee to all members of the Committee for their comment and records within a reasonable time after the meeting.