

AUDIT COMMITTEE – TERMS OF REFERENCE

Constitution

1. An Audit Committee was established by the Board on 25 November 1998.

Membership

2. Under the Constitution, the Committee members should consist of not less than three non-executive directors with a majority of independent non-executive directors. The Chairman of the Committee must be an independent non-executive director. At least one of the independent non-executive directors should have appropriate professional qualifications or accounting or related financial management expertise. Quorum of meeting shall not be less than two members.
3. The Company Secretary or such person appointed by the Committee shall act as secretary of the Committee.

Duties

4. The duties of the Committee shall include the following:
 - 4.1 *Relationship with the external auditor*
 - (a) to make recommendations to the Board on the appointment, re-appointment and dismissal 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 shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- (c) to monitor the compliance of the Company's policy on the engagement of the external auditor for the performance of non-audit services and the hiring of employees or former employees of the external auditor;
- (d) to act as the key representative body for overseeing the Company's relationship with the external auditor;

4.2 *Financial information for public disclosure*

- (a) to monitor integrity of the Company's interim and annual reports and financial statements, and to review significant financial reporting judgments contained in them before recommending them to the Board for approval, with particular emphasis on:
 - (i) any changes in the Group's accounting policies and practices;
 - (ii) major judgmental areas (including those in the representation letter from the Company to the external auditor);
 - (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;
- (b) to consider any significant or unusual items that are, or may need to be, reflected in the report and financial statements and give due consideration to any matters and reservations that have been raised by the Company's staff responsible for the accounting and financial reporting function, Head of Corporate Compliance, internal and external auditors;

4.3 *Oversight of financial reporting system, risk management and internal control systems*

- (a) to review the Company's financial controls, and unless expressly addressed by Risk Management and Sustainability Committee, to review 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 annual review to ensure the adequacy of resources, qualifications and experience of staff of the Company's accounting, financial reporting and internal audit functions, and their training programmes and budget;

- (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) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function has appropriate standing within the Company, and to review and monitor its effectiveness (including the internal audit plan and programme);
- (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 shall provide a timely response to the issues raised in the external auditor's management letter;

4.4 *Corporate Governance functions*

- (a) to report to the Board on the Company's compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules;
- (b) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the Company's Code of Conduct and Business Ethics applicable to directors and employees;

4.5 *General*

- (a) to consider other matters, as defined by the Board.

5. The Committee shall review and ensure proper arrangements are in place for employees of the Company to raise concerns, in confidence, about possible improprieties in financial reporting, risk management and internal control or other matters for fair and independent investigation of these matters and for appropriate follow-up action.

Attendance at Meetings

6. Company's management in charge of accounting and financial reporting function/ corporate compliance/ risk management/ internal audit, representatives of the external auditor, Company Secretary, designated staff may attend meetings by invitation.
7. A separate meeting (at least twice per year) should be held between the Committee and the external auditor for discussion of Company's matters.

Frequency of Meetings

8. Meeting shall be held not less than three times per annum.

Authority

9. The Committee is authorized 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 directed to co-operate with any request made by the Committee.
10. The Committee is authorized by the Board to obtain legal and other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if the Committee considers it necessary.

Reporting Procedures

11. The secretary shall circulate the full minutes of all meetings of the Committee and, when requested by the Committee Chairman, a summary of major findings to all members of the Board within a reasonable time.
12. The Committee Chairman, failing him/her, a member of the Committee shall be available to attend the annual general meeting of the Company to answer questions relating to risk management and internal control, and financial reporting matters.

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