

# **AUDIT COMMITTEE**

## **COMMITTEE MEMBERS**

Mr. Iain F. BRUCE – Independent Non-executive Director (Chairman)  
Dr. The Hon. Sir David Kwok-po LI – Independent Non-executive Director  
Mr. Jan Peter Seeberg ERLUND – Independent Non-executive Director

## **TERMS OF REFERENCE**

### **1. Membership**

The Committee shall be appointed by the Board from amongst the non-executive Directors of the Company consisting of a majority of independent non-executive directors whose terms shall run concurrently with their terms as directors. Two members shall constitute a quorum provided that at least one independent non-executive director shall be present throughout each meeting.

### **2. Chairman**

The Chairman of the Committee shall be selected amongst the independent non-executive directors of the Company and shall be appointed by the Board.

### **3. Attendance at Meetings**

The Chairman of the Committee may invite the Group financial officer or other executives or third parties to attend meetings, or parts of meetings. At least once a year the following should be invited to meet with the Committee:-

- The representative of the external auditor
- The Group internal auditor

### **4. Proceedings of Meetings**

Notice of at least 14 days should be given of a regular committee meeting. An agenda and accompanying meeting papers should be sent in full to all committee members at least three days before the intended date of committee meeting. Any member may request for meetings by giving notice in writing to the Chairman of the Committee of not less than seven days' notice. Questions arising at the 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.

## **5. Frequency of meetings**

Meetings shall be held not less than twice a year. The External Auditor or the Internal Auditor, if they deem necessary, may request for meetings by giving notice in writing to the Chairman of the Committee.

## **6. Authority**

The Committee is empowered by the Board to investigate any activity within its terms of reference. It has the right to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

## **7. Outside professional services**

The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance, at meetings, of outsiders with relevant experience and expertise if it considers this necessary.

## **8. Terms of Reference**

The terms of reference of the Committee should include, as a minimum, the following specific duties:-

- (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 resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. 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 the external auditor may include:-
  - (i) consider all relationships between the Company and the audit firm (including the provision of non-audit services);
  - (ii) seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding 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 auditor may wish to raise.

- (c) to develop and implement a policy on the engagement of an external auditor to supply non-audit services. For this purpose, the external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (d) to monitor the integrity of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports, if applicable, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the annual reports and accounts, and half-year reports and quarterly reports, if applicable, 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 must liaise with the Board of Directors, senior management, the Group Financial Officer and the Group Internal Auditor and the Committee must meet, at least once 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 such reports and accounts and must give due consideration to any matters that have been raised by the Group Financial Officer, Group Internal Auditor or the external auditor;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

- (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 Company, and to review and monitor the effectiveness of the internal audit function;
- (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 in respect of 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 report to the Board on the matters set out in the provision C.3 of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules; and
- (n) to consider other topics, as defined by the Board.

## **9. Minutes and Reports**

Minutes shall be maintained of all the meetings of the Committee and be signed by the Chairman and kept by a duly appointed secretary of the Committee meeting. The full minutes shall be present to the Board at the subsequent Board meeting.

Information in relation to the Committee shall be included for the accounting period in the Corporate Governance Report in the Annual Report as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time.

Updated on 5 February 2009