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(Incorporated in Bermuda with limited liability)
(the “Company”)
(Stock Code: 999)

Terms of Reference – Audit Committee

Reference to “the Committee” shall mean the Audit Committee.

Reference to “the Board” shall mean the Board of Directors.

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least three (3) members, of which shall be independent non-executive directors.
- 1.2 At least one of the Committee members shall have recent and relevant financial experience as envisaged in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, Chief Financial Officer, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointments to the Committee shall be for a period of up to three (3) years, which may be extended by the Board.
- 1.6 The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1 The company secretary or any person designated by the Committee Chairman shall act as the secretary of the Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two (2) members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least four (4) times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members or at the request of external or internal auditor if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than fourteen (14) days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate at least four (4) full business days before the date of the meeting.

6. Minutes of Meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.
- 6.4 Minutes of Committee meetings shall be kept by the secretary.

7. Annual General Meeting

- 7.1 The Committee Chairman (or, if he is not able to attend, his delegate who shall be a member of the Committee) shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

- 8.1 The Committee should carry out the duties below for the company and its subsidiaries and the group as a whole, as appropriate.

Relationship with the Company's auditor

- 8.1.1 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 resignation or dismissal of that auditor;
- 8.1.2 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;
- 8.1.3 to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, 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;
- 8.1.4 to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of financial information of the Company

- 8.1.5 to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly updates, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly updates before submission to the Board, the committee should focus particularly on: -

- 8.1.5.1 any changes in accounting policies and practices;

- 8.1.5.2 major judgmental areas;
- 8.1.5.3 significant adjustments resulting from audit;
- 8.1.5.4 the going concern assumptions and any qualifications;
- 8.1.5.5 compliance with accounting standards; and
- 8.1.5.6 compliance with the Listing Rules and other legal requirements in relation to financial reporting;

8.1.6 In regard to 8.1.5 above:

- 8.1.6.1 members of the Committee must liaise with the Company's Board and senior management and the Committee must meet, at least twice a year, with the Company's external auditor, inter alia, regarding the review of the Company's financial reports and accounts; and
- 8.1.6.2 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 Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditor;

Oversight of the Company's financial reporting system, risk management and internal control systems

- 8.1.7 to review the Company's financial controls and risk management and internal control systems;
- 8.1.8 to discuss with senior management the risk management and internal control systems and ensure that management has discharged its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;
- 8.1.9 to consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- 8.1.10 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;

- 8.1.11 to review the group's financial and accounting policies and practices;
 - 8.1.12 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;
 - 8.1.13 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - 8.1.14 to review the Company's policies and practices on compliance with legal and regulatory requirements;
 - 8.1.15 to review the effectiveness of the code of conduct and compliance manual (if any) applicable to employees and directors;
 - 8.1.16 to review the Company's compliance with the Corporate Governance Code of the Listing Rules and disclosure in the corporate governance report; and
 - 8.1.17 to consider other topics, as defined by the Board.
- 8.2 The Committee shall review the effectiveness of the whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company. The Committee shall ensure proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.
- 8.3 The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.
- 8.4 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- 8.5 The Committee should be provided with sufficient resources to discharge its duties.
- 8.6 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.7 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.8 The Committee shall compile a report on its activities for the Board to consider in the context of preparing the Company's annual report.

9. Authority

9.1 The Committee is authorized:-

- (a) to seek any information it requires from any employee of the Company in order to perform its duties;
- (b) to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- (c) to call any employee to be questioned at a meeting of the Committee as and when required.

10. On-going Review of this Terms of Reference

The Committee and the Board shall review and update this Terms of Reference at least on an annual basis.

Last Update on 28 January 2016