

Audit Committee

Role and Authority Delegated by the Board

(Revised version dated 31 December 2015)

I. Function and Objectives

The Audit Committee (the "Committee") is appointed by the Board of Directors of the Company (the "Board") with a view to assist the Board in overseeing and reviewing:

1. The effectiveness of the Company's financial controls, internal control and risk management systems.
2. The integrity of the Company's financial statements and the application of financial reporting principles.
3. The relationship with the external auditor, and its independence assessment.
4. The effectiveness of the Company's internal audit function.

II. Composition

The Committee must comprise of Non-Executive Directors only. The Committee must also comprise at least three (3) members, with the majority including the Chairman, being Independent Non-Executive Directors.

At least one (1) of the Independent Non-Executive Directors serving as a member of the Committee must possess appropriate professional qualifications or accounting or related financial management expertise.

The Committee must be chaired by an Independent Non-Executive Director.

Any former partner of the Company's existing auditing firm is prohibited from acting as a member of the Committee for a period of one (1) year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm (whichever is later).

The Company Secretary or an Executive Director of the Company should assume the role of Secretary for the Committee.

III. Membership

Members of the Committee shall be appointed by the Board in consultation with the Chairman of the Committee. The Committee shall be made up of at least three (3) members.

All members of the Committee shall be Non-Executive Directors and at least one (1) of whom shall be an Independent Non-Executive Director with recent and relevant financial experience as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Appointments to the Committee shall be co-terminus with the directorship of the relevant members (whether by retirement, rotation or otherwise).

The Board shall appoint the Committee Chairman who must be an Independent Non-Executive Director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one (1) of themselves to chair the meeting.

IV. Authorities

The Board authorizes the Committee to:

1. Perform activities within the scope of these terms of reference.
2. Engage independent counsel and other independent professional advisers as it deems necessary to carry out its duties.
3. To obtain information required by the Committee members in pursuit of their duties, and have access to members of management and other employees for such purpose.

V. Duties

The authority of the Committee is derived from the Board. Therefore, the Committee is obliged to report to the Board on their decision or recommendations, unless there are legal or regulatory restrictions on their ability to do so. The duties of the Committee are as follows:

1. Oversight of the Company's Financial Reporting System, Risk Management and Internal Control Procedures
 - 1.1 To review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems.
 - 1.2 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.
 - 1.3 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.
 - 1.4 To review the group's financial and accounting policies and practices.
 - 1.5 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.
 - 1.6 To ensure that the Board provides a timely response to the issues raised in the external auditor's management letter.
 - 1.7 To report to the Board on the matters set out in paragraph C.3.3 of the Corporate Governance Code (Appendix 14 to the Listing Rules).

2. Review of the Company's Financial Information
 - 2.1 To monitor integrity of the Company's financial statements and annual report and accounts and half-year report, and ensure that appropriate accounting principles, practices and reporting standards are followed, and to review significant financial reporting judgments contained therein, with particular focus on:
 - 2.1.1 any changes in accounting policies and practices;
 - 2.1.2 major judgmental areas;
 - 2.1.3 significant adjustments resulting from audit;
 - 2.1.4 the going concern assumptions and any qualifications;
 - 2.1.5 compliance with accounting standards; and

- 2.1.6 compliance with the Listing Rules and other legal requirements in relation to financial reporting.
- 2.2 For the purpose of paragraph 2.1 above:
 - 2.2.1 Committee members must liaise with Board members and senior management, and must meet with the external auditors at least twice a year; and
 - 2.2.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and 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 auditors.
- 3. Relationship with the External Auditors
 - 3.1 To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors.
 - 3.2 To review and approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal.
 - 3.3 To review and monitor the external auditors' independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards.
 - 3.4 To discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences.
 - 3.5 To discuss with the external auditors any audit problems encountered in the audit work and the appropriateness of the accounting policies applied.
 - 3.6 To ensure that significant findings and recommendations made by the external auditors and management's proposed responses are received, discussed and appropriately acted on.
 - 3.7 To develop and implement policy on engaging an external auditor to supply non-audit services, if any, to ensure that provisions of such services would not impair the independence and objectivity of the external auditors.

4. Internal Audit

- 4.1 To ensure co-ordination between internal and external auditors.
- 4.2 To ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- 4.3 To review and monitor the effectiveness of the internal audit function.
- 4.4 To ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed and appropriately acted on.

VI. Reporting responsibilities

The Committee should regularly update the Board about its activities and any matters that may significantly impact on the financial condition or affairs of the business and make appropriate recommendations.

VII. Frequency of Meetings

The Committee shall meet at least two (2) times a year.

VIII. Quorum

The quorum necessary for the transaction of the business of the Committee shall be two (2). 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.

This document is in English and Chinese. In case of any inconsistency, the English version shall prevail.