



## **XINHUA NEWS MEDIA HOLDINGS LIMITED**

**新華通訊頻媒控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 309)**

**(the “Company”)**

### **Terms of Reference for the Audit Committee (the “Committee”)**

These terms of reference were approved and adopted by the resolutions of the board of directors of the Company (the “**Board**”) passed on 12 July 2005 and amended on 29 March 2012, 7 June 2013 and 31 December 2015.

#### **1. Membership**

- i. Members of the Committee shall be appointed by the Board.
- ii. The Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- iii. The majority of the members of the Committee must be independent non-executive directors, at least one of whom must have 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**”).
- iv. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of 1 year commencing on the date of his ceasing:
  - to be a partner of the firm; or
  - to have any financial interest in the firm;

whichever is the later.

## **2. Chairman**

- i. The chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.

## **3. Secretary**

- i. The company secretary shall be the secretary of the Committee.
- ii. In the absence of the secretary of the Committee, the members present at the meeting of the Committee shall elect another person as the secretary.

## **4. Quorum**

- i. The quorum for meetings of the Committee shall be any two members.
- ii. A duly convened meeting of the Committee at which a quorum is present at the time when the meeting proceeds to business and continues to be present until the conclusion of the meeting, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **5. Frequency of meetings**

- i. The Committee shall hold at least two meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Committee shall be held as and when required.
- ii. The external auditors may request a meeting if they consider it necessary.

## **6. Attendance at meetings**

- i. Members of the Committee may attend meetings of the Committee either in person or through other electronic means of communication.
- ii. The finance director, the head of internal audit (if any), shall attend meetings of the Committee. Other members of the Board or other persons may attend meetings at the invitation of the Committee.

- iii. The Committee shall meet with the external auditors at least twice a year to discuss matters relating to its audit fees, any issues arising from the audit of financial statements and any issues the external auditors may wish to raise.
- iv. The secretary of the Committee (or his/her delegate) shall attend all meetings of the Committee to take minutes.

## **7. Notice of meetings**

- i. A meeting of the Committee may be convened by any of its members or by the secretary of the Committee at the request of a member.
- ii. Reasonable notice shall be given of the meetings and such notice shall be sent to each member of the Committee and to any other person invited to attend.
- iii. As far as practicable, an agenda and accompanying supporting papers shall be sent to all members of the Committee and to other attendees as appropriate before the date of the meeting.
- iv. Any member of the Committee shall be entitled, by notice to the secretary of the Committee, to include other matters relevant to the functions of the Committee in the agenda of a Committee meeting.

## **8. Minutes of meetings**

- i. The secretary of the Committee (or his/her delegate) in attendance at the meetings of the Committee shall minute in sufficient detail the matters considered and decisions reached at such meetings. The minutes shall also include any concerns raised by any member of the Committee and/or dissenting views expressed.
- ii. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- iii. Draft and final versions of minutes of Committee meetings shall be sent to all Committee members for their comment and records respectively, in both cases within a reasonable time after the meeting.
- iv. Minutes of the Committee shall be kept by the secretary of the Committee and shall be available for inspection by any member of the Committee or the Board at any reasonable time on reasonable notice.

## **9. Annual general meeting**

- i. The chairman of the Committee or in his absence, another member of the Committee, shall attend the Annual General Meeting of the Company and be prepared to answer questions at the Annual General Meeting on the Committee's activities and their responsibilities.

## **10. Other regulations governing the meetings and proceedings of the Committee**

- i. Unless otherwise specified above, the provisions contained in the Company's Articles of Association for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Committee.

## **11. Duties**

The duties of the Committee are as follows:-

- i. *Relationship with the Company's auditors*
  - (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 to consider 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 accounting standard;
  - (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
  - (d) to ensure co-ordination where more than one audit firm is involved;

- (e) 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 shall report to the Board identifying and making recommendations on any matters where action or improvement is needed; and
- (f) to act as key representative body for overseeing the Company’s relations with the external auditor.

*ii. Review of Company’s financial information*

- (a) to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee shall 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;
- (b) in regard to ii (a) above:-
  - (i) members of the Committee should liaise with the Board and senior management; and the Committee must meet at least twice a year with the Company’s auditors; and

- (ii) the Committee shall 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 auditors;
  - (c) to discuss problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss (in the absence of the management where necessary).
- iii. *Oversight of the Company's financial reporting system, risk management and internal control systems*
  - (a) to review the Company's financial controls, and unless expressly addressed by a separate board committee, or by the board itself, to review the Company's 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 adequacy of resources, staff qualification and experience, training programmes and budget of the Company's accounting and financial reporting function;
  - (c) 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;
  - (d) where an internal audit function exists, 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 its effectiveness;
  - (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 will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to review arrangements employees of the Company 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;
- (i) to report on how it met its responsibilities in its review of half-yearly and annual results, and unless expressly addressed by a separate risk committee, or the board itself, its review of the risk management and internal control systems, the effectiveness of the Company's internal audit function, and its other duties under the code;
- (j) to report to the Board on the matters set out above; and
- (k) to consider other topics, as defined by the Board.

## **12. Reporting responsibilities**

- i. The Committee shall report back to the Board on their decisions or recommendations.

## **13. Authority**

- i. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any employee and all employees are directed to co-operate with any reasonable request made by the Committee.
- ii. The Committee and each of its members shall have unrestricted access to the Company's senior management.
- iii. The Committee shall be provided with sufficient resources to perform its duties.

- iv. In the event that the Committee or any member of the Committee requires access to outside independent professional advice in connection with its/his duties, a request may be made to the Board through the company secretary. All such requests shall be processed in accordance with the Company's pre-defined procedures for seeking independent professional advice at the Company's expense.

#### **14. Publication of the terms of reference of the Committee**

- i. The terms of reference of the Committee will be posted on the websites of the Company and on The Stock Exchange of Hong Kong Limited and will be made available on request.

(The Chinese version of this document is for reference only. In case of discrepancies or inconsistency between the English version and Chinese version, the English version shall prevail.)