



(Incorporated in Bermuda with limited liability)

(Stock Code: 00412)

(the “**Company**”, together with its subsidiaries, the “**Group**”)

TERMS OF REFERENCE OF AUDIT COMMITTEE

(Revised and adopted by the Board on 28 March 2019)

1. Membership

- 1.1** Members of the Audit Committee (the “**Committee**”) shall be appointed by the board (the “**Board**”) of directors of the Company (the “**Directors**”) from amongst the non-executive Directors (including independent non-executive Directors).
- 1.2** The Committee shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom has to be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules (the “**Listing Rules**”) Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
- 1.3** A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of his/her ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.
- 1.4** The appointment of the members may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee. An appointment of a member shall be automatically revoked if such member ceases to be a Director.
- 1.5** The chairman of the Committee shall be appointed by the Board and must be an independent non-executive Director.
- 1.6** The company secretary of the Company shall be the secretary of the Committee (the “**Secretary**”). The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary.

2. Proceedings of the Committee

2.1 Frequency of meetings

The Committee members shall meet at least twice a year. The external auditors of the Company may request the chairman of the Committee to convene a meeting, if they consider that one is necessary.

2.2 Notice

2.2.1 Notice of any meetings has to be given at least three days prior to any such meeting being held, unless all members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a member shall be deemed waiver of the requisite length of notice by the member. Notice of any adjourned meetings is not required if adjournment is for less than fourteen days.

2.2.2 A member may, and at the request of a member, the Secretary shall, at any time summon a meeting. Notice shall be given to each member either orally in person or in writing or by telephone or facsimile transmission or electronic mail at the telephone number or facsimile number or address or email address from time to time notified to the Secretary by such member or by such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.

2.2.3 Notice of meeting shall state the purpose, time and place of the meeting. An agenda together with other documents which may be required to be considered by the Committee members for the purposes of the meeting should generally be delivered to all Committee members three days before the intended date of the Committee meeting (or such other period as all the Committee members may agree).

2.3 Quorum

The quorum of the Committee meeting shall be two members of the Committee.

2.4 Voting

Each resolution at a meeting of the Committee shall be determined by a majority

of votes of the Committee members present. In case of an equality of votes, the chairman of the meeting shall have a casting vote.

2.5 Attendance of meetings by non-members

The Chief Financial Officer, the Head of Internal Audit (or any officer(s) assuming the relevant functions but having a different designation) of the Company and a representative of the external auditors of the Company shall normally attend meetings of the Committee. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors in the absence of the executive Directors.

2.6 Mode of participation

2.6.1 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment or through electronic means of communications by means of which all persons participating in the meeting are capable of hearing each other.

2.6.2 The Secretary shall keep record of individual attendance of members of the Committee, on a named basis, at meetings held during that financial year.

2.7 Written resolutions

A resolution in writing signed by all Committee members shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the Committee members.

2.8 Minutes

2.8.1 Full minutes of the Committee meetings shall be kept by the Secretary and be available for review by the Directors.

2.8.2 Draft and final versions of minutes of the Committee meetings should be sent to all Committee members for their comment and records respectively, within a reasonable time after the meeting.

2.9 Reporting responsibilities

The Committee shall report to the Board when appropriate.

3. Authority

The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Group and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Committee and to supply information and answer questions raised by the Committee;
- (b) to monitor whether the Group's management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time prescribed by the Stock Exchange and/or laid down by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request management to make investigation and submit reports;
- (d) to review the Group's risk management and internal control procedures and systems;
- (e) to make recommendations to the Board for the improvement of the Group's internal control procedures and systems and financial reporting process;
- (f) to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group;
- (g) to obtain outside legal or other independent professional advice at the expenses of the Company on any matters within these terms of reference as it considers necessary and to secure the attendance of outsiders with relevant experience and expertise at its meetings;
- (h) to commission reports or surveys as are necessary to assist in the performance of its duties at the cost of the Company; and
- (i) to have access to sufficient resources in order to perform its duties.

4. Duties

The duties of the Committee shall be:

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 any questions of resignation or dismissal of the external auditor;
- (b) to review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditor the nature and the scope of the audit and reporting obligations before the commencement of the audit;
- (c) to develop and implement policy on the engagement of the external auditor(s) 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 shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Company

- (d) 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 judgments contained in them. In reviewing these reports 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 the audit;
 - (iv) the going concern assumptions and qualifications;
 - (v) compliance with accounting standards;

- (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (e) with regard to (d) above, to liaise with the Board, senior management and the staff responsible for the accounting and financial reporting function (when necessary), and to meet, at least twice a year, with the Company's external auditors;
- (f) to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and it 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 auditors;

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

- (g) 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 internal control and risk management systems;
- (h) to discuss with the management the systems of internal control and risk management and ensure that management has discharged its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting function of the Company;
- (i) 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 to these findings;
- (j) 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 the effectiveness of the internal audit function;
- (k) to review the Group's financial and accounting policies and practices;
- (l) to review the external auditors' management letter, any material queries raised by the auditors to the management in respect of the accounting records, financial accounts or systems of control and management response;

and

- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.

Other Duties

- (n) to report to the Board on the matters set out in the Code on Corporate Governance (i.e. Appendix 14 to the Listing Rules).
- (o) to consider other topics, as defined by the Board from time to time.
- (p) to review arrangements which 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.
- (q) to act as the key representative body for overseeing the Company's relations with the external auditor.

5. Annual general meeting

The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, 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.

6. Publication of the terms of reference of the Committee

The Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the websites of the Company and the Stock Exchange.

– The end –

Note 1: If there is any inconsistency between the English and Chinese versions of this document, the English version shall prevail.

Note 2: These terms of reference were adopted on 28 April 2004 and revised on 26 March 2012, 3 February 2016, 16 May 2018 and 28 March 2019.