

**CONVENIENCE RETAIL ASIA LIMITED**  
**AUDIT COMMITTEE – TERMS OF REFERENCE**



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**Constitution**

1. The Audit Committee was established by the Board on 6 January 2001.

**Membership**

2. Under the Constitution, the Committee shall consist of not less than three non-executive directors with a majority of independent non-executive directors. The Chairman of the Committee must be an independent non-executive director. At least one of the independent non-executive directors shall have appropriate professional qualifications or accounting or related financial management expertise. The quorum for a meeting shall not be less than two members.
3. The Company Secretary shall act as the secretary of the Committee.

**Duties**

4. The duties of the Committee shall include the following:

*Relationship with the external auditor*

- (a) to make 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 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 standards. The Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services and the hiring of employees or former employees of the external auditor. The Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

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**Duties (continued)**

*Financial information for public disclosure*

- (e) to monitor integrity of the Company's interim and annual reports and financial statements, and to review significant financial reporting judgements contained in them before recommending them to the Board for approval, with particular emphasis on:
  - (i) any changes in the Group's accounting policies and practices;
  - (ii) major judgmental areas (including those in the representation letter from the Company to the external auditor);
  - (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 legal requirements in relation to financial reporting;
- (f) regarding item (e) above, to liaise with the Board and senior management and meet, at least twice a year, with the Company's external auditor;
- (g) to consider any significant or unusual items that are, or may need to be, reflected in the reports and financial statements and give due consideration to any matters and reservations that have been raised by the Company's staff responsible for the accounting and financial reporting function, the Group Chief Compliance Officer, internal and external auditors;

*Oversight of financial reporting system and internal control procedures*

- (h) to review the Company's financial controls, internal control and risk management systems;
- (i) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;

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**Duties (continued)**

- (j) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (k) 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 (including the internal audit plan and programme);
- (l) to review the Group's financial and accounting policies and practices;
- (m) 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;
- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

*Corporate governance functions*

- (o) to report to the Board on matters relating to the Corporate Governance Code as set out in Appendix 14 of the Listing Rules;
- (p) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (q) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (r) to develop, review and monitor the Code of Conduct and Business Ethics applicable to employees and directors;
- (s) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and
- (t) to consider other topics, as defined by the Board.

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5. The Committee shall review and ensure proper arrangements are in place for employees of the Company to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters for fair and independent investigation of these matters and for appropriate follow-up action.

**Attendance at Meetings**

6. The Chief Financial Officer/Company's management in charge of accounting and financial reporting function/Group Chief Compliance Officer/Head of Corporate Governance Division (Internal Audit)/representatives of the external auditor/Company Secretary may attend meetings of the Committee by invitation.
7. At the discretion of the Committee, other persons (including directors, senior management, other employees, external advisors or consultants) may be invited to attend meetings or parts of meetings.
8. A separate meeting (at least twice per annum) should be held among the Committee's members and the external auditor for discussion of the Company's matters.

**Frequency of Meetings**

9. Meetings shall be held not less than four times per annum.

**Notice of Meetings**

10. The dates of the regular meetings of the Committee for each year shall be determined in the third/fourth quarter of the preceding year to facilitate maximum attendance of members. Any amendment to this schedule shall be notified to the members within a reasonable time before a regular meeting.
11. In respect of regular Committee meetings, notice of each meeting confirming the date, time and venue shall be provided to each member of the Committee and other persons required to attend at least fourteen days prior to the date of the meeting. Agenda and accompanying committee papers shall be sent, in full, to the members and other attendees at least three days before the date of the meeting.

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**Authority**

12. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee.
13. The Committee is authorised by the Board to obtain legal and other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if the Committee considers it necessary.

**Reporting Procedures**

14. The secretary shall circulate the full minutes of all meetings of the Committee and, when requested by the Committee Chairman, a summary of major findings to all members of the Board. All minutes of the Committee shall be open for inspection at any reasonable time on reasonable notice by any director.
15. The Committee shall regularly update the Board on its activities and any matter that may have a significant impact on the financial conditions or operations of the Company and make appropriate recommendations.
16. The Committee Chairman, failing him, a member of the Committee shall be available to attend the annual general meeting of the Company to answer questions relating to internal control, corporate governance, risk management and financial reporting matters.