

# MIRAMAR GROUP

美麗華集團

## MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 71)

### Terms of Reference of the Audit Committee

(effective from 1 April 2012)

#### 1. Constitution

The Audit Committee is established by the Board of Directors of the Company (the “Board”).

#### 2. Membership

- 2.1 (a) Subject to 2.1(b) below, the Audit Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors; and
- (b) In considering any Director’s Interested Matter (as defined below) or any matter in connection therewith or otherwise relating or incidental thereto, the Audit Committee shall consist of at least all independent non-executive directors;
- 2.2 The Chairman of the Audit Committee shall be appointed by the Board and should be an independent non-executive director; and
- 2.3 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year 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 later.

#### 3. Meetings

- 3.1 The Audit Committee shall meet at least twice each year. The Company’s external auditors may request that a meeting be held if they consider it necessary;
- 3.2 Group General Manager, Chief Financial Officer, Director of Internal Audit and a representative of the external auditors shall normally attend meetings (except meeting(s) convened for the purpose of or otherwise in connection with or relating to any Director’s Interested Matter). Other Board members shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the Director of Internal Audit and external auditors without executive Board members present;
- 3.3 The quorum of the Audit Committee shall be any two members where one of which must be an independent non-executive director;
- 3.4 The Company Secretary shall be the secretary of the Audit Committee; and
- 3.5 A meeting of the Audit Committee may be held by means of a telephone or tele-conferencing or similar communication equipment by means of which all persons participating in the meeting are capable of communicating contemporaneously by voice with all other participants and participation in a meeting pursuant to this provision shall constitute attendance at such meeting as if such member of the Audit Committee was present in person.

#### **4. Annual General Meeting**

The Chairman of the Audit Committee or in his/her absence, another member (who must be an independent non-executive director) of the Audit Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

#### **5. Responsibilities**

The responsibilities of the Audit Committee shall be:

##### *Relationship with the Company's external auditors*

- 5.1 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 its resignation or dismissal;
- 5.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.3 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

##### *Review of financial information of the Company*

- 5.4 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if applicable), and to review any significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit 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 legal requirements in relation to financial reporting;
- 5.5 Regarding 5.4 above:-
  - (i) members of the Audit Committee should liaise with the Company's Board, senior management and the person appointed as the Company's qualified accountant and the Audit Committee must meet, at least twice a year, with the Company's external auditors; and
  - (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due

consideration to any matters that have been raised by the Company's Chief Financial Officer (must be a qualified accountant), compliance officer (or person occupying the same position), or external auditors;

- 5.6 to review the statement on the Company's internal control included in the annual report prior to endorsement by the Board;

*Oversight of the Company's financial reporting system and internal control procedures*

- 5.7 to review the Company's financial controls, internal control and risk management systems;
- 5.8 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;
- 5.9 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;
- 5.10 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 its effectiveness;
- 5.11 to review the Group's financial and accounting policies and practices;
- 5.12 to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- 5.13 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.14 to report to the Board on the matters in this Terms of Reference;
- 5.15 to consider other topics, as defined by the Board;

*Consider Director's Interested Matter*

- 5.16 to have all the powers, authority and discretions exercisable by the Board of Directors (i) to determine whether a substantial shareholder or a director of the Company has a conflict of interest in a matter to be considered by the Board of Directors or the Audit Committee which the Board of Directors or the Audit Committee has determined to be material ("Director's Interested Matter"); (ii) where a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board of Directors or the Audit Committee which the Board of Directors or the Audit Committee has determined to be material, to discuss, consider, determine, approve or disapprove such Director's Interested Matter; and (iii) to discuss, consider, determine, approve or disapprove any matter in connection therewith or otherwise relating or incidental thereto;

*Arrangements for employees to raise concerns about financial reporting improprieties*

- 5.17 (a) 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 audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

- (b) to act as the key representative body for overseeing the Company's relations with the external auditor.

## **6. Reporting Responsibilities**

- 6.1 Draft and final versions of minutes of meetings of the Audit Committee should be sent to all members of the Audit Committee for their comment and records within a reasonable period of time after the meeting; and
- 6.2 The Company Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board. Such minutes should be kept by the Company Secretary.

## **7. Authority**

- 7.1 The Audit Committee is authorized by the Board to investigate any activity within its Terms of Reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee;
- 7.2 A director as a member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member of the Audit Committee to the Company. The Audit Committee may secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- 7.3 The Audit Committee shall be provided with sufficient resources to perform its duties.

## **8. Disclosures**

- 8.1 The Audit Committee shall make available on the Company's website this set of Terms of Reference, explaining the role of the Audit Committee and the authority delegated to it by the Board; and
- 8.2 In the event that the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reasons why the Board has taken a different view.