

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1. CONSTITUTION

1.1 The board of directors (the “**Board**”) of the Company hereby resolves to establish a committee of the Board to be known as the Audit Committee (the “**Committee**”) with details as described below.

2. MEMBERSHIP

2.1 All members of the Committee shall be non-executive Directors and shall be appointed and removed by the Directors from amongst the independent non-executive directors of the Company and shall consist of not less than three members.

2.2 The Committee shall consist of a majority of independent non-executive Directors.

2.3 The Chairman of the Committee shall be an independent non-executive Director and shall be appointed and removed by the Directors.

3. QUORUM

3.1 The quorum for decisions of the Committee should be any two Members, of whom at least one has to be independent non-executive Director.

4. ATTENDANCE AT MEETINGS

4.1 As necessary or desirable, the Chairman may request that members of management, the head of internal audit and representatives of the external auditors be present at 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 without the presence of the executive Board members.

4.2 The secretary of the Company shall be the secretary of the Committee (the “**Secretary**”).

5. FREQUENCY OF MEETINGS

5.1 Meetings shall be held not less than 4 times a year. Additional meeting should be held as the work of the Committee demands. The external auditors may request a meeting if they consider that one is necessary.

6. NOTICE OF MEETINGS

6.1 Notice of meetings shall be given to all members of the Committee at least 2 working days before the meeting.

7. AUTHORITY

- 7.1 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.
- 7.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

8. DUTIES

- 8.1 The duties of the Committee shall be include the following aspects:

Relationship with the Company's auditors

- (a) to recommend to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of their 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 standard. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on the engagement of an external auditor 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;
- (d) to review and monitor the independence of external auditors, the Committee shall:
 - (i) consider all relationships between the Company and the audit firm (including the provision of non-audit services);
 - (ii) seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding rotation of audit partners and staff; and

- (iii) meet with auditor, at least annually, in the absence of management of the Company, to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;

Review of financial information of the Company

- (e) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, to review the Company's annual report and accounts, half-year report and quarterly reports before submission to the Board, focusing 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 assumption and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;
- (f) In this regard to (e) above:
 - (i) members of the Committee must liaise with the Board, senior management of the Company and the person appointed as the Company's qualified accountant and the Committee must meet, at least once a year, with the Company's auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

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

- (g) to review external auditors' management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

- (h) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (i) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (j) to review the internal audit programme, ensure co-ordination between the internal and external auditors, and 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 consider the major findings of internal investigations as delegated by the Board or on its own initiative and management's response;
- (l) to review the group's financial and accounting policies and practices;
- (m) to review the Company's financial controls, internal control and risk management systems;
- (n) to report to the Board on the matters set out in this code provision;
- (o) to consider any other matters, as defined by the Board from time to time; and
- (p) to act as the key representative body for overseeing the Company's relation with the external auditor.

9. REPORTING PROCEDURES

- 9.1 The Secretary should keep full minutes of all Committee meetings. Draft and final versions of minutes of meetings of the Committee should be sent to all Members for their comment and records respectively, in both cases within a reasonable time after the meeting.