

**PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED (“PCPD” or the “Company”)**

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

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***Constitution***

1. The Board of the Company (the “Board”) resolved on 9 July 2004 to reconstitute the previous Audit Committee and establish a committee of the Board to be known as the Audit Committee (the “Committee”).

***Objective and Role***

2. The Committee is responsible for ensuring the objectivity and credibility of financial reporting, and that in presenting results to the shareholders, the directors have exercised the care, diligence and skills prescribed by law.
3. The Committee is responsible for ensuring an effective system of internal controls of the Company is in place.

***Membership***

4. The members of the Committee shall be appointed by the Board and shall consist of independent non-executive directors of the Company only and at least three members. There shall be at least one 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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange Listing Rules”).
5. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director of the Company.
6. A former partner of the Company’s existing auditing firm will be prohibited from acting as a member of the Committee for a period of 1 year commencing on the date of him/her ceasing to be a partner of the firm or ceasing to have any financial interest in the firm, whichever is the later.

***Attendance at Meetings***

7. The Chief Financial Officer, the head of the internal audit unit and representative(s) of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. The Committee may invite any appropriate person to attend meetings of the Committee as it considers appropriate. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.
8. The Company Secretary of the Company or his or her nominee shall be the Secretary of the Committee.

***Frequency of Meetings***

9. Meetings shall be held at least twice a year and at such other times as the Committee determines is appropriate to carry out its responsibilities. The external auditors may request a meeting if they consider that one is necessary.

### **Authority**

10. The 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 be directed to co-operate with any request made by the Committee.
11. The Committee is authorized by the Board to delegate to one or more designated members of the Committee who are independent directors of the Board the authority to grant the pre-approvals contemplated by Paragraph 14(d) below.
12. The Committee is authorized by the Board, subject to prior discussion concerning likely costs, 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.
13. The Committee may delegate its authority including to sub-committees (subject to applicable legal or regulatory requirements) and impose any regulations upon them, when it deems appropriate and in the best interests of the Company.

### **Duties**

14. The duties of the Committee shall be:
  - (a) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of external auditors;
  - (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the external 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 external auditors to supply non-audit services. For this purpose, external auditors 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 should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendation as to the steps to be taken;
  - (d) to pre-approve all audit and non-audit services to be performed for the Company by the external auditors and to review and approve any pre-approval decisions made on the delegated authority of the Committee as contemplated by Paragraph 10 above;
  - (e) to monitor integrity of financial statements, annual report (relevant sections) and accounts and half-year report (relevant sections), and to review significant financial reporting judgements contained in them. In this regard, in reviewing the annual report (relevant sections) and accounts and half-year report (relevant sections) 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 audit;
    - (iv) the going concern assumptions and any qualifications;

- (v) compliance with accounting standards; and
  - (vi) compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting in place from time to time;
- (f) In regard to (e) above:-
- (i) members of the Committee must liaise with the Board, senior management and the Chief Financial Officer and the Committee must meet, at least once a year, with the external auditors;
  - (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 Chief Financial Officer, the Company's staff responsible for the accounting and financial reporting function, any compliance officer or external auditors;
  - (iii) the Committee should discuss any problems or reservations arising from the interim and final audits; and
  - (iv) the Committee should resolve any disagreements between management and the external auditors regarding financial reporting;
- (g) to review the financial control, internal control and risk management systems;
- (h) to discuss with the management the system of internal controls and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (j) 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 ensure co-ordination where more than one audit firm is involved;
- (l) to review the Group's financial and accounting policies and practices;
- (m) to review the external auditors' management letter, any material queries raised by the external auditors to management in respect of the 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 auditors' management letter;
- (o) to establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting control or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- (p) to produce and approve disclosure statements in relation to the Committee and its work as required by applicable laws and rules where necessary; and
- (q) to consider other topics, as defined by the Board.

The above duties would extend to the Group and / or subsidiaries of the Company where applicable and / or necessary as required by applicable laws and rules.

***Meeting Procedures***

15. The meetings and proceedings of the Committee shall be governed by the provisions of the Company's Bye-laws for regulating the meetings and proceedings of the directors of the Company, except for otherwise determined by the Board from time to time.
16. The quorum for meetings shall be two members of the Committee.

***Reporting Procedures***

17. The Committee shall report to the Board concerning its activities and the matters set out in the relevant code provisions of the Exchange Listing Rules, either orally or in writing, at regular meetings of the Board or at other times or occasions where necessary.
18. Full minutes of meetings of the Committee shall be kept by the Secretary of the Committee. Drafts and final versions of minutes of the Committee meetings shall be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.
19. The Secretary of the Committee shall distribute the minutes of meetings / written resolutions of the Committee to the Board members.

***Frequency of Review***

20. This Terms of Reference should be reviewed on an annual basis and when necessary, and can be revised by the Board from time to time.