
**Regulations relating to the audit committee (the “Audit Committee”)
of the board of directors of the Company (the “Board”)**

A. Constitution

The Audit Committee is a committee of the Board.

B. Audit Committee

1. Membership

1.1 Members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and shall consist of not less than three members, at least one of whom is an independent non-executive director with appropriate qualifications of accounting or related financial management expertise as required in Rule 3.21 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The initial members of the Audit Committee are Messrs Liu Tsun Kie, Yap Fat Suan Henry and Chu Hon Pong Tony, the three independent non-executive directors of the Company, and Mr. Gordon Shaw, a non-executive director of the Company.

1.2 The chairman of the Audit Committee shall be appointed by the Board from time to time. The first chairman is Mr. Liu Tsun Kie.

1.3 The secretary of the Audit Committee shall be the Company Secretary of the Company.

1.4 The appointment of the members and secretary of the Audit Committee may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board.

2. Proceedings of the Audit Committee

2.1 Notice

2.1.1 Unless otherwise agreed by all the Audit Committee members, a meeting of the Audit Committee shall be called by at least seven (7) days’ notice.

2.1.2 A member of the Audit Committee may and, on the request of a member of the Audit Committee, the secretary of the Audit Committee shall, at any time summon a meeting of the Audit Committee. Notice shall be given to each member of the Audit Committee orally in person or in writing or by telephone or by email or facsimile transmission at the telephone or facsimile or address from time to time notified to the secretary by such member of the Audit Committee by such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.

2.1.3 Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting.

2.2 Quorum

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

Committee.

2.3 Attendance of meetings by non-members

The Chief Financial Officer, the head of internal audit of the Company (or any officer(s) assuming the relevant functions but having a different designation) and representatives of the external auditors of the Company shall normally attend the meetings of the Audit Committee. The executive directors of the Company shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the external auditors of the Company in the absence of the executive directors of the Company.

2.4 Frequency of meetings

Meetings shall be held at least twice a year. The external auditors may request the chairman of the Audit Committee to convene a meeting, if they consider that one is necessary.

3. Written resolutions

Resolutions may be passed by all members of the Audit Committee in writing.

4. Alternate members

A member of the Audit Committee may not appoint any alternate.

5. Authority

The Audit Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company (together with its subsidiaries from time to time, the “**Group**”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Audit Committee and to supply information and answer questions raised by the Audit 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 internal control procedures and system;
- (e) to review the performance of the Group’s employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group’s internal control procedures and system;
- (g) to request the Board to convene a shareholders’ meeting for purposes of revoking the appointment of any director and to dismiss any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his duties properly;

- (h) to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group; and
- (i) to obtain outside legal or other independent professional advice and to secure the attendance of independent third parties with relevant experience and expertise, if it considers this necessary.

6. Duties

The duties of the Audit Committee shall include, without limitation:

Relationship with external auditors

- (a) to consider and make recommendations 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 auditors, and any questions of resignation or dismissal of the 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 Audit 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 the 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 Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

- (d) to monitor integrity of the financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit 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 Listing Rules and other legal requirements in relation to financial reporting;
- (e) In regard to (d) above:

- (i) members of the Audit Committee must liaise with the Board, senior management and the Qualified Accountant of the Company and the Audit Committee must meet at least once a year with the Company's external auditors; and
- (ii) the Audit 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 external auditors;

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

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) 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;
- (h) 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;
- (i) 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;
- (j) to review the Group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

Others

- (m) to report to the Board on the matters set out in the code provisions as stated in Appendix 14 of the Listing Rules; and
- (n) to consider other topics, as defined by the Board.

7. Veto rights of the Audit Committee

The Audit Committee has the following veto rights. The Group cannot implement any of the following matters which have been vetoed by the Audit Committee:

- (a) to approve any connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive directors and the independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or the internal audit manager.

8. Reporting procedures

The secretary of the Audit Committee shall circulate the minutes of meetings and all written resolutions of the Audit Committee to all members of the Board.

9. Continuing applications of the bye-laws of the Company and “A Guide for Effective Audit Committee”

9.1 The bye-laws of the Company regulating the meetings and proceedings of the directors so far as the same are applicable and not inconsistent with the provisions of these regulations shall apply, *mutatis mutandis*, to regulate the meetings and proceedings of the Audit Committee.

9.2 The provisions of “A Guide for Effective Audit Committee” published by the Hong Kong Society of Accountants (as it was then known) in February 2002 and shall be adopted by the Audit Committee with effect from the date hereof and shall, to the extent not inconsistent with the provisions of these regulations, be deemed to be incorporated into these regulations, *mutatis mutandis*.

10. Powers of the Board

The Board may, subject to compliance with the bye-laws of the Company and the Listing Rules, amend, supplement and revoke these regulations and any resolution passed by the Audit Committee provided that no amendments to and revocation of these regulations and the resolutions passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if these regulations or resolution had not been amended or revoked.

1 January 2006