



Orange Sky Golden Harvest Entertainment (Holdings) Limited

AUDIT COMMITTEE – TERMS OF REFERENCE

1. Constitution

The Board of Directors (the “Board”) of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “Company”) established a committee to the Board known as the Audit Committee (the “Committee”) on 9 October 1998.

2. Membership

The 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. A quorum shall be two members.

The Chairman of the Committee shall be appointed by the Board and should be an independent director.

A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Company’s Committee for a period of 1 year commencing on the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

3. Attendance at meetings

The Finance Director, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external and internal auditors without executive Board members present.

The Company Secretary shall be the secretary of the Committee. The secretary of the Committee should keep full minutes of the Committee meetings. Draft and final version of minutes of the Committee meetings should be sent to all members of the Committee for their comments and records respectively, in both cases within a reasonable time after the meeting.

4. Frequency of meetings

Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

5. Authority

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 are directed to co-operate with any request made by the Committee.

The Committee is authorized 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.

6. Duties

The duties of the Committee shall be:

- (a) primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard and to discuss with the external auditor, the nature and scope of the audit and the reporting obligations before the audit commences, and to ensure co-ordination where more than one audit firm is involved;
- (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. The 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;
- (d) to monitor integrity of 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

- (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the 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;
- (e) in regard to (d) above:
- (i) members of the Committee must liaise with the Board, senior management 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 terms 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;
- (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 review the internal audit programme, 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 auditor's 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the board on the matters set out in this code provision;
- (n) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (o) to review the Company's statement on internal control system (where one is included in the annual report) prior to endorsement by the Board; and
- (p) to consider other topics, as defined by the Board.

7. Reporting procedures

The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.