

**MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED**

**AUDIT COMMITTEE – TERMS OF REFERENCE**

(effective from 1 January 2009)

**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;
- (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;
- 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 commencing on 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 the 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;
- 3.4 The Company Secretary shall be the secretary of the Audit Committee;
- 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 recommendation 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 resignation or dismissal of that auditor;
- 5.2 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 reporting obligations before the audit commences;
- 5.3 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 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

- 5.4 to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports (if applicable), and to review any significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly reports (if applicable) 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 other legal requirements in relation to financial reporting;
- 5.5 In regard to 5.4 above:-
  - (i) members of the Audit Committee must 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 once 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 such reports and accounts and must 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 with the management the system of internal control 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 programs and budget;
- 5.9 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;
- 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 the effectiveness of the internal audit function;
- 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 in respect of the 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 set out in this Terms of Reference; and
- 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.

**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 respectively, in both cases within a reasonable period of time after the meeting;
- 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;
- 7.3 The Audit Committee shall be provided with sufficient resources to discharge 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;
- 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.