

Audit Committee

Written terms of reference of the Audit Committee in line with code provision C.3.3 of the Code were adopted at the Board meeting on 23 September 2005.

The terms of reference of the Audit Committee are set out as follows:



Relationship with the Company's auditors

- (a) 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;
- (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 audit committee should discuss with the auditor 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. 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 financial statements of the Company and its annual report and accounts, half-year report 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 before submission to the board, the committee should focus particularly on: -
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and

- compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting;

(e) in regard to (d) above:-

- members of the committee must liaise with the Company's board of directors, 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
- 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

- to review the Company's financial controls, internal control and risk management systems;
- 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;
- 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;
- to review the group's financial and accounting policies and practices;
- 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;
- to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- to report to the board on the matters set out in this code provision; and
- to consider other topics, as defined by the board.

The Audit Committee have meetings with management and the external auditors for reviewing the interim and annual reports before submission to the Board for consideration and approval, reviewing the annual audit plan and scope of work of both external auditors and internal auditors, and discussing issues arising from the audits including internal controls and financial reporting.

The composition of the Audit Committee is as follows:

Roderic N. A. Sage (Chairman)
Lincoln C. K. Yung
John J. Ying

Independent Non-executive Director
Independent Non-executive Director
Non-executive Director

