



恒隆集團有限公司
HANG LUNG GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00010)

AUDIT COMMITTEE

Terms of Reference

(amended and restated with effect from April 1, 2012)

1. Constitution

The Committee was established by the Board on April 28, 1999.

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. The majority of the members shall be Independent Non-Executive Directors.

The Chairman of the Committee shall be appointed by the Board and must be an Independent Non-Executive Director.

3. Secretary

The Company Secretary shall be the secretary of the Committee. The secretary shall circulate the minutes of meetings of the Committee to all members of the Committee.

4. Attendance at meetings

The Chief Financial Officer, the Head of Internal Audit, and a representative of the external auditor 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 auditor without Executive Board members present.

5. Frequency and proceedings of meetings

Meetings shall be held not less than twice a year.

A quorum for a meeting shall be two members. Proceedings of meetings shall be governed by the provisions of Articles of Association of the Company.

6. 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.

7. Duties

The duties of the Committee are:

Relationship with the Company's external auditor

- (a) to be primarily responsible for making recommendations 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 its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services (for this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally), and report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to act as the key representative body responsible for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

- (e) to monitor integrity of financial statements and annual report and accounts and half-year report, and to review significant financial reporting judgements contained in them. In reviewing these reports 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 Listing Rules and legal requirements in relation to financial reporting;

- (f) Regarding (e) above:
 - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external auditor; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditor;

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

- (g) to review financial controls, internal control and risk management systems;
- (h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (i) to review and assess the annual internal audit plan of the Company;
- (j) to review all reports from the internal auditor, to consider and review major investigation findings on internal control matters (include findings of the internal auditor) as delegated by the Board or on its own initiative and to review and monitor management's response to (i) these findings; and (ii) recommendations of the internal auditor;
- (k) 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 its effectiveness ;
- (l) to review the Group's financial and accounting policies and practices;
- (m) to review the external auditor's management letter, any material queries raised by the external auditor to management about 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 auditor's management letter;
- (o) to review arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) to consider other topics, as defined by the Board;

Corporate governance functions

- (q) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (r) to review and monitor the training and continuous professional development of Directors and senior management;
- (s) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (t) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (u) to review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report (as set out in Appendix 14 of the Listing Rules); and

Other duties

- (v) to report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).