

# CENTURION CORPORATION LIMITED

## 勝捷企業有限公司\*

*(Incorporated in the Republic of Singapore with limited liability)*

*(Co Reg No: 198401088W)*

**(Stock code: 6090)**

### AUDIT COMMITTEE

The Code of Corporate Governance 2012 (the “**Code**”) requires companies listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) to set up an Audit Committee (the “**AC**” or “**Committee**”) that reports to the board of directors (the “**Board**”) of the Company (the “**Director(s)**”).

The Rules Governing the Listing of Securities (the “**Listing Rules HK**”) on The Stock Exchange of Hong Kong Limited (the “**HKEX**”) and the Corporate Governance Code at Appendix 14 of the Listing Rules HK (the “**CGC HK**”) also require companies listed on the HKEX to set up an AC which reports to the Board.

The Board approved and provided written terms of reference for the AC which clearly establish the Committee’s authority and duties. The role of the AC is to assist the Board with discharging its responsibility to:

- safeguard the Company’s assets;
- maintain adequate accounting records;
- develop and maintain effective systems of internal controls and risk management;
- ensure integrity of financial statements, and
- review the policies and arrangements whereby concerns on improprieties in matters of financial reporting or other matters raised by ‘whistle-blowers’ are independently investigated and appropriate follow up actions taken.

The overall objective of the AC is to ensure that management has created and maintained an effective system of internal controls to safeguard the assets and integrity of the operations of the Company, and to ensure compliance with relevant regulations and legislations applicable to the Company. A key role of the AC is also to review the significant financial reporting issues and judgments so as to ensure the integrity of the Company’s financial statements and any announcements relating to the company’s financial performance.

As a sub-committee of the Board, the AC provides a channel of communication between the Board, management, the internal auditors and the external auditors, on matters arising out of the internal and external audits.

The terms of reference for the AC are annexed hereto as Appendix A.

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### TERMS OF REFERENCE FOR AUDIT COMMITTEE

#### 1. MEMBERSHIP

- 1.1 The AC shall be appointed by the Board from amongst its members, and shall comprise at least three (3) members.
- 1.2 All AC members shall be non-executive Directors of the Company, a majority of whom, including the chairman of the AC (the “**AC Chairman**”) shall be an independent non-executive Director of the Company and shall not be:
  - (a) executive Director of the Company or any related corporation;
  - (b) a spouse, parent, brother, sister, son or adopted son or daughter or adopted daughter of an executive Director of the Company or of any related corporation; and
  - (c) any person having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the functions of an audit committee.
- 1.3 A former partner or director of the Company’s existing auditing firm or auditing corporation should be prohibited from acting as a member of its audit committee for a period of twelve (12) months from the date of his ceasing to be a partner of the firm (or a director of the auditing corporation) or to have any financial interest in the firm or corporation, whichever is later. Under the Companies Act (Cap. 50) of Singapore (the “**Act**”), a non-executive director is defined as a director who is not an employee of, and does not hold any other office of profit in, the Company or in any related corporation of the Company in conjunction with his office of director and his membership in the Committee.
- 1.4 In relation to the HKEX, a Director will be considered as independent if he satisfies the factors set out in Rule 3.13 of the Listing Rules HK.

- 1.5 The members shall be appropriately qualified to discharge their responsibilities. At least two (2) members (including the AC Chairman) shall have appropriate professional qualifications or recent and relevant accounting or related financial management expertise or experience as required under the Code and the Listing Rules HK.
- 1.6 The AC shall elect one of its members, who is an independent non-executive Director, and who is not an employee of the Company or any related corporation, to be the AC Chairman.
- 1.7 In relation to the Code, a Director may be considered independent if he has no relationship with the Company, its related corporations<sup>1</sup>, its shareholders with a shareholding of 10% or more (“**10% shareholder**”), or its officers that could interfere, or be reasonably perceived to interfere, with his exercise of independent business judgment with a view to the best interests of the Company and in carrying out his functions as a member of the AC.

The Code sets out the following non-exhaustive relationships or circumstances, which would deem a Director not to be independent:

- (a) a Director being employed by the Company or any of its related corporations for the current or any of the past three (3) financial years;
- (b) a Director who has an immediate family member who is, or has been in any of the past three (3) financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee of the Company;
- (c) a Director, or an immediate family member, accepting any significant compensation from the Company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for Board service;
- (d) a Director:
  - (i) who, in the current or immediate past financial year, is or was; or
  - (ii) whose immediate family member, in the current or immediate past financial year, is or was,
    - a 10% shareholder of, or
    - a partner in (with 10% or more stake), or

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<sup>1</sup> A “**related corporation**” in relation to a company shall have the same meaning as currently defined in the Companies Act (Cap. 50) of Singapore, i.e. a corporation that is the company’s holding company, subsidiary or fellow subsidiary.

- an executive officer of, or
- a Director of,

any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year.

As a guide, payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant; or

- (e) a Director who is a 10% shareholder or an immediate family member of a 10% shareholder of the Company; or
- (f) a Director who is or has been directly associated with a 10% shareholder of the Company, in the current or immediate past financial year.

If the Board considers, in spite of the existence of one (1) or more of these relationships, the Director as independent, it should disclose in full the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent.

- 1.8 On appointment, and thereafter, on an annual basis, every independent non-executive Director shall complete and return an annual confirmation in relation to his/her independence in accordance with the Listing Rules HK and the Code, and in the form as specified by the Company from time to time. The Nominating Committee of the Company shall review the returned annual confirmation to decide if a Director is to be considered independent and make its recommendation to the Board.
- 1.9 The Board shall review the returned annual confirmation to decide if a Director is to be considered independent.
- 1.10 An independent member shall immediately notify the company secretary (the "**Company Secretary**") of the Company of any change in circumstances that may result in him/her not being able to meet the criteria for independence.

The Board may, after considering the change in circumstances (with the recommendation of the AC), require the resignation of the member, in compliance with the provisions of the AC's terms of reference and/or any other applicable statutes, rules or regulations.

The Board may, as a result of the resignation, re-constitute the Committee before its next scheduled meeting.

- 1.11 A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least three (3) months' notice or such shorter period as may be agreed by the Board.
- 1.12 The office of a member shall be vacant upon the member's death/resignation/retirement/removal or disqualification as a Director.
- 1.13 Any vacancy in the Committee shall be filled within two (2) months, and in any case, no later than three (3) months.
- 1.14 If for any reason, the total number of members shall fall below three (3), the Board shall within three (3) months of such occurrence, appoint such number of new members so that the total number of members is at least three (3).

## **2. ADMINISTRATION**

### **2.1 Meetings**

- (a) Meetings of the Committee (the “**AC Meetings**”) may be conducted by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means without a member being in the physical presence of another member or members and the participation in the meeting pursuant to this provision shall constitute presence in person of such meeting.

The minutes of such a meeting signed by the AC Chairman or chairman of the meeting shall be conclusive evidence of any meeting conducted as aforesaid.

- (b) AC Meetings will be held as the AC deems appropriate. AC Meetings shall be held at least four (4) times a year. AC Meetings shall be organised so that attendance is maximised. AC Meetings may be called, at any other time, by the AC Chairman or any member.

These meetings should be held:

- (i) prior to the commencement of the annual external audit;
  - (ii) prior to the Board's approval of the quarterly results; and
  - (iii) after the completion of the annual external audit and prior to the Board's approval of the full year results.
- (c) The external auditors and/or the Head of Internal Audit may request a meeting with the AC if they consider that a meeting is necessary.

- (d) AC Meetings should be attended by:
- the Chief Executive Officer or his designate;
  - the Finance Director/Manager/Chief Financial Officer/Financial Controller;
  - the head/representative of internal audit (as and when required by the AC);
  - the representative of external auditors (as and when required by the AC); and
  - other person deemed necessary.
- (e) The Committee shall have full discretion to invite any Director or member of management to attend AC Meetings.
- (f) The external auditor has the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.
- (g) The secretary of the Committee shall be the Company Secretary for the time being or, such other person as may be nominated by the AC.
- (h) The secretary of the AC shall attend all AC Meetings and minute the proceedings thereof including providing an attendance record of individual members present at all meetings.
- (i) The secretary of the AC shall keep full minutes of all AC Meetings. Draft and final version of minutes of all AC Meetings shall record in sufficient details the matters considered and decisions reached, including any concerns raised by the members for dissenting views expressed and shall be circulated to all the members of the AC for their comments and record within a reasonable time after the meetings.
- (j) Minutes of all AC Meetings shall be confirmed by the AC Chairman or chairman of the meeting and circulated to all the members.

If the AC Chairman so decides, the minutes shall be circulated to other members of the Board. Any Director may, provided that there is no conflict of interest and with the agreement of the AC Chairman, obtain copies of minutes of the Committee meetings.

- (k) The notice of each AC Meeting, confirming the venue, date and time and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Committee at least three (3) working days prior to the date of the meeting. The members of the AC may consent to shorter notice whereupon the requisite notice period shall be waived.

## **2.2 Quorum**

The quorum shall be two (2) members, including at least one (1) independent non-executive Director.

If the AC Chairman is not present within five (5) minutes from the appointed time of the AC Meeting, the members present may elect one (1) of their members, who must be independent, to chair the meeting.

## **2.3 Voting**

A resolution shall be considered passed if:

- (a) there is a majority of votes cast in favour of the resolution during an AC Meeting; or
- (b) there is agreement in writing by a majority of members entitled to vote on the decision.

In the event of an equality of votes, the AC Chairman or the chairman of the meeting shall not have a casting vote. All conflicting views shall be submitted to the Board for its final decision.

Any member who has an interest in any matter being reviewed or considered by the Committee shall abstain from voting on the matter.

## **2.4 AC Resolution in Writing**

The Committee may pass resolutions by circulation. A resolution in writing signed by a majority of members, including at least one (1) independent non-executive Director, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted.

These resolutions may consist of several documents in original or facsimile in the like form, each signed by one (1) or more members.

## **2.5 Attendance at General Meetings**

The AC Chairman (or in his/her absence, an alternative member of the AC) shall attend the general meetings of the Company and be prepared to answer questions falling within the scope of the AC.

### 3. AUTHORITY

The Committee is authorised by the Board to:

- **Annually review** its terms of reference (the “**Terms of Reference**”) and its own effectiveness and make any necessary recommendations to the Board when the need arises due to changes in the relevant rules or when there are changes in the Company’s structure, organization and operations which affect the matters set out in the Terms of Reference.
- **Assist the Board** in fulfilling its monitoring responsibilities by investigating any activity within the Terms of Reference.
- **Seek any information** that it requires from any employee of the Company within the Terms of Reference.
- **Have direct and unrestricted access** to the representatives of the external auditor(s) and the internal auditor(s).
- **Meet with any relevant person** of the Company without the presence of the management.
- **Obtain independent professional advice** at the Company’s expense whenever deemed necessary.
- **The Committee has the power to investigate** any matter that falls within its Terms of Reference, with full access to and co-operation by the management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

### 4. DUTIES

Without prejudice to any requirement under the CGC HK, the duties of the AC shall be (on an annual basis) to:

- 4.1 review the group’s financial and accounting policies and practices;
- 4.2 review the audited financial statements of the Company and the consolidated balance sheet and profit & loss account, before approval by the Board;
- 4.3 monitor the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of accounting standards used by the Company (i.e. entity level) and its group (i.e. consolidation level);



- 4.4 monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and (if prepared for publication) quarterly reports, review significant financial reporting issues and judgments contained in them to ensure integrity of the financial statements of the Company, and any announcements relating to the Company's financial performance. In reviewing these reports before submission to the Board, the AC should focus particularly on:
- (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) major risk areas;
  - (d) decisions requiring a significant element of judgment;
  - (e) the extent to which the financial statements are affected by unusual transactions in the year and how they are disclosed;
  - (f) clarity of disclosures;
  - (g) significant adjustments resulting from the audit;
  - (h) the going concern assumptions and any qualifications;
  - (i) compliance with accounting standards;
  - (j) compliance with the Listing Manual, the Listing Rules HK and legal requirements in relation to financial reporting;
  - (k) significant financial reporting issues with both senior management and the external auditor; and
  - (l) other topics at the request of the Board.
- 4.5 in relation to clause 4.3, (i) liaise with the Board and senior management and the AC must meet, at least twice a year, with the Company's external auditors; and (ii) consider any significant or unusual items that are, or may need to be, reflected in the report and financial statements 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 auditors;
- 4.6 develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 4.7 review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- 4.8 develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- 4.9 review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management policies (such review can be carried out internally or with the assistance of any competent third parties);
- 4.10 review annually to consider, among other things, the changes since the last annual review in the nature and extent of significant risks, scope and quality of the management ongoing monitoring of risks and of the internal control systems, and the effectiveness of the Company's processes for financial reporting and compliance with the Listing Manual and the Listing Rules HK;
- 4.11 review the statements included in the annual report on the Company's internal controls and risk management framework;
- 4.12 consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 4.13 review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- 4.14 discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective risk management and internal control systems. This discussion and review should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 4.15 review at least annually the adequacy and effectiveness of the Company's internal audit function including ensuring it is staffed with persons with the relevant qualifications and experience;

The internal auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors;

- 4.16 where an internal audit function exists, ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- 4.17 ensure an adequate budget is allocated to the internal audit function, assuring its proper functioning;

- 4.18 review the internal audit programme with regard to the complementary roles of internal and external audit functions and the scope and results of the internal audit procedures;
- 4.19 ensure co-ordination between the internal and external auditors and management;
- 4.20 receive the internal audit reports or a periodic summary thereof;
- 4.21 receive a report on the results of the internal auditors' work on periodic basis;
- 4.22 review and monitor the management's responsiveness to the internal auditor's findings and recommendations;
- 4.23 ensure that the internal auditor has direct and unrestricted access to the AC Chairman and the chairman of the Board;
- 4.24 participate in the selection and the appointment or dismissal of the internal auditor;
- 4.25 access the performance and determine the remuneration of the internal auditor, within the Company's guidelines;
- 4.26 re-evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Company's strategic objectives, and ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems. The AC should oversee the management in the design, implementation and monitoring of risk management and internal control systems, and the management should provide a confirmation to the Board on effectiveness of these systems;
- 4.27 review and monitor the scope and results of the external audit, and the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standards. The AC should discuss with the auditor the nature and scope of the audit and the following reporting obligations before the audit commences:
  - (a) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;
  - (b) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;
  - (c) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and
  - (d) criteria for compensation of the individuals performing the audit.

Steps to consider include:

- seeking reassurance that the external auditors and their staff have no family, financial, employment, investment, or business relationship with the company and its group (other than in the normal course of business), based on a forwarded report by the external auditor(s);
- seeking from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring the external auditor(s)' compliance with relevant regulatory requirements (e.g. audit partner's rotation requirements, level of fees the Company pays in proportion to the overall income of the firm, etc.);
- agreeing with the Board and monitoring the Company's policy for the employment of former employees of external auditor; and
- discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

4.28 develop and implement policy on engaging 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 AC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4.29 make recommendations to the Board on proposals to shareholders on the appointment, re-appointment, resignation and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

4.30 ensure co-ordination where more than one auditing firm or corporation is involved;

4.31 review with the internal and external auditors:

- their audit plan, including the nature and scope of the audit before the audit commences;
- their evaluation of the system of internal controls;
- their audit report; and
- their management letter, any material queries raised by the auditor to management about accounting records, financial records or systems of control and management's response;

- 4.32 ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 4.33 review whether the auditor has met with the agreed audit plan, and understand the reasons for any changes, including changes in perceived audit risks, and the work undertaken by the external auditors to address those risks;
- 4.34 assess the accuracy of the auditors in handling the key accounting and identified audit judgments, their responses to questions from the Committee, and their commentary on the systems of internal control;
- 4.35 obtain feedback about the conduct of the audit from the key people involved;
- 4.36 report to the Board on the matters in the CGC HK;
- 4.37 review the audit representation letters before consideration by the Board, giving particular consideration to matters that relates to non-standard issues;
- 4.38 review the content of the external auditor's management letter in order to assess whether it is based on good understanding of the Company's business, and monitor the responsiveness of the management to the recommendation made (or the reasons why they have not been acted upon);
- 4.39 review interested person transactions (IPTs) falling within the scope of the Listing Manual on a quarterly basis (including transactions that fall within the scope of Rule 912, i.e. the review and approval of proposed sale(s) of any units of property projects to the Company's interested persons and/or relatives of a director, chief executive officer or controlling shareholder, where applicable);
- 4.40 consider the need for a general mandate for IPTs;
- 4.41 appoint an independent financial adviser to advise on general mandate and where a general mandate is being renewed, consider whether the methods or procedures for determining the transaction prices are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders;
- 4.42 direct management to present the rationale, cost-benefit analysis and other details relating to the IPTs subject to a specific mandate;
- 4.43 consider the need for an independent adviser to advise on IPTs subject to specific mandates;
- 4.44 receives reports from the management and the internal auditors on IPTs;

- 4.45 report to minority shareholders on its recommendations on general and specific mandates;
- 4.46 act as the key representative body for overseeing the Company's relations with the external auditors;
- 4.47 be primarily responsible for making recommendations 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 its resignation or dismissal. Where the Board disagrees with the AC's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a statement from the AC explaining its recommendation and also the reason(s) why the Board has taken a different view;
- 4.48 discuss problems and concerns, if any, arising from quarterly and/or full year audits, in consultation with the internal and external auditors, where necessary;
- 4.49 meet with the external and internal auditors without the presence of Management, at least annually, to discuss any problems or concerns they may have;
- 4.50 ensure where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
- 4.51 review the assistance given by management to the internal and external auditors;
- 4.52 review annually the independence of the external auditors, the aggregate amount of fees paid to the external auditors for the financial year and the breakdown of the fees paid in total for audit and non-audit services respectively;
- 4.53 where the external auditors also provide non-audit services to the Company, the nature and extent of such services should be reviewed in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be compromised. In doing so, the AC will:
- develop, set, apply and implement a formal policy on engaging an external auditor(s) to supply non-audit services and specifying the types of non-audit services:
    - (a) from which the external auditor(s) are excluded;
    - (b) for which the external auditor(s) can be engaged without referral to the Committee; or
    - (c) for which a case-by-case decision is necessary by the Committee;

- consider whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
  - consider the nature of the non-audit service and the related fee levels (both individually and in aggregate) relative to the audit fee;
  - report to the Board, identifying and making recommendations on any matters where action or improvements is needed;
- 4.54 review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and management's response;
- 4.55 review the policy and arrangements employees of the Company or of the Group and any other person can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or any other matters related to the Company; and conduct an independent investigation of such matters for appropriate follow up action pursuant to the Company's whistle-blowing programme. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 4.56 commission and review findings of internal investigations into matters where there is any suspected fraud or irregularities or failure of internal controls or infringement of any law, rule and regulation which has or is likely to have a material impact on the Group's operating results and/or financial position;
- 4.57 review and approve all hedging policies and types of hedging instruments to be implemented by the group, if any;
- 4.58 investigate any matter within the Terms of Reference, with full access to and co-operation by management and full discretion to invite any Director or executive officer to attend its meetings, and should be provided with sufficient resources to perform its duties;
- 4.59 report to the Board its findings from time to time on matters arising and requiring the attention of the Committee;
- 4.60 review interested person transactions to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders;
- 4.61 review interested person transactions for potential conflicts of interest as well as all potential conflicts of interests;

- 4.62 ensure that proper measures to mitigate any conflicts of interests have been put in place;
- 4.63 review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual (if any);
- 4.64 undertake such other reviews and projects as may be requested by the Board;
- 4.65 consider other topics, as defined by the Board;
- 4.66 undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time;
- 4.67 keep abreast of changes to accounting standards and issues which have a direct impact on financial statements; and
- 4.68 determine, on an annual basis, if a Director is independent according to the circumstances set forth in Guidelines 2.3 and 2.4 of the 2012 Code, Rule 3.13 of the Listing Rules HK and other salient factors. The relationships set out in the Code are not intended to be exhaustive.

## **5. REPORTING PROCEDURES**

- 5.1 The Committee shall report regularly to the Board on the exercise of its duties and the outcome of its reviews and discussions with the internal and external auditors and its findings on any suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, or suspected improprieties in matters of financial reporting or other matters, which has or is likely to have a material impact on the operating results or financial position of the Company as well as identifying those matters which it considers require action or improvement, and making recommendations as to the step to be taken.
- 5.2 The Committee shall monitor, review, and assess whether the Company has deviated from the Code or the CGC HK, and ensure that the deviation be explained in detail in the Company's interim report or annual report.
- 5.3 The Committee shall, after each Committee meeting, send the Board a report on its findings and recommendations.

## **6. REMUNERATION**

- 6.1 Having regard to the functions performed by members of the Committee in addition to their functions as Directors in relation to the activities of the Committee and pursuant to the specific powers conferred upon the Board by the constitution of the Company, members of the Committee may be paid such special remuneration in respect of their appointment and in such manner as shall be fixed by the Board.
- 6.2 Such special remuneration shall be in addition to the annual fees payable to members of the AC.



## **7. AMENDMENTS TO TERMS OF REFERENCE**

- 7.1 The AC may initiate amendments to its Terms of Reference due to changes in legislations, rules governing corporate governance, changes in the Company's structure, organization and/or operations which are likely to affect the matters set out in the Terms of Reference.
- 7.2 Any member may recommend such amendments to the Terms of Reference, as he deems fit.
- 7.3 All proposed amendments to the Terms of Reference shall be submitted to the AC for consideration and tabled at the Board meeting for approval.

## **8. GENERAL**

- 8.1 The AC should seek independent professional advice at the Company's expense to perform its responsibilities.
- 8.2 The AC should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the HKEX's website and the Company's website.