

## **TERMS OF REFERENCE BOARD AUDIT COMMITTEE**

### **I. Constitution**

The Board of Directors (the “Board”) of Guoco Group Limited (the “Company”) requires that the businesses of the Group conduct themselves in accordance with acceptable ethical standards and comply with all applicable laws, regulations and the policies and directives of the Board. To meet these objectives, satisfactory and functioning systems of internal control and adequate monitoring must be maintained.

On 9 October 1998, the Board resolved to establish the Board Audit Committee (the “Committee”) and adopted the terms of reference (the “Terms of Reference”) for the Committee.

### **II. Organisation and Membership**

- (a) The Committee shall be appointed by the Board from amongst the non-executive directors (majority of them shall be independent) and shall consist of not less than three members. A quorum shall be two members.
- (b) The Chairman of the Committee shall be appointed by the Board and should be an independent director.

### **III. Meetings and Attendance**

- (a) Meetings shall be held not less than twice a year. The Chief Executive, Group Financial Controller and Head of Internal Audit shall normally attend the Committee’s meetings. The Committee may invite any Executive Director(s) and a representative of the external auditors and/or such members of the executive management of the Group as they shall deem appropriate to attend the Committee’s meetings. Other Board members shall also have the right of attendance. At least once a year the Committee shall meet with the external and internal auditors without executive directors present.
- (b) The Company Secretary shall be the secretary of the Committee.

#### **IV. Authority**

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised 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 authorised 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.

#### **V. Duties**

The duties of the Board Audit Committee shall be:

##### *Relationship with the 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;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard, and to discuss with the external auditor before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- (c) to develop and implement policy on the engagement of an external auditor (including 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) to supply non-audit services, and to 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, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein, and to review the half-year and annual financial statements before submission to the Board, focusing particularly on:
  - (i) any changes in accounting policies and practices;

- (ii) major judgemental 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, to liaise with the Board and senior management, and to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and to 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;

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

- (f) to review financial controls, internal controls 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 including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (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) 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 controls and management's response;
- (j) to ensure co-ordination between the internal and external auditors, and 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;
- (k) to review the Group's financial and accounting policies and practices;

- (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 section; and
- (n) to consider other topics, as defined by the Board.

**VI. Minutes and Reporting Procedures**

Minutes of the Committee meetings should be kept by the secretary of the Committee and should be sent to all members of the Committee within 14 days after the relevant meeting.

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