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## **CULTURECOM HOLDINGS LIMITED**

**文化傳信集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00343)**

**(Warrant Code: 01453)**

### **TERMS OF REFERENCE FOR AUDIT COMMITTEE (THE “COMMITTEE”)**

#### **Membership**

1. The Committee shall be appointed by the Board of Directors (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 under the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited.
2. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.

#### **Frequency and Proceedings of Meetings**

3. Meetings shall be held not less than twice a year. Additional meetings should be held as the works of the Committee demands.
4. The quorum for a meeting shall be two members.
5. Proceedings of meetings of the Committee shall be governed by the provisions of the Bye-Law 138 of the Company’s Bye-Laws.

## **Attendance at meetings**

6. The Finance Director, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. However, at least twice a year the Committee shall meet with the external and internal auditors without executive Board members presents.
7. The Company Secretary shall be the secretary of the Committee.

## **Authority**

8. 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-operated with any request made by the Committee.
9. 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.
10. The Committee shall report to the board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the board.
11. Where the board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Audit Committee's view and the reasons why the board has taken a different view.

## **Duties**

12. The duties of the Committee shall be:

### 12.1 Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendation 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 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 Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) the engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required;

#### 12.2 Review of financial information

- (a) to monitor integrity of financial statements of the Company and the Company's 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 and before submission to the Board, the Committee should focus particularly on:-
  - (i) any changes in accounting policies and practices;
  - (ii) major judgemental 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 exchange listing rules and other legal requirements in relation to financial reporting;
- (b) for the purpose of (a) above:-
  - (i) 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 twice a year, with the Company's auditors; and
  - (ii) 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;

(iii) review the draft representation letter prior to approval by the Board;

### 12.3 Oversight of the Company's financial reporting system, risk management and internal control systems

- (a) to review the Company's financial control, risk management and internal control systems;
- (b) to discuss with the risk management and internal control systems with management to ensure that management has discharged its duty to have an effective internal control system;
- (c) to consider any investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- (d) where an internal audit function exists, to ensure co-ordination between the 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;
- (e) to review the Group's financial and account policies and practices;
- (f) 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;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters set out in this code provision;
- (i) to consider other topics as defined by the Board; and
- (j) to review by which employees, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other

matters. The Committee is to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

## **Reporting procedures**

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

By order of the Board  
**Culturecom Holdings Limited**  
**Chu Bong Foo**  
*Chairman*

Hong Kong, 1<sup>st</sup> February 2016

*As at the date of this announcement, the Board comprises of Ms. Chow Lai Wah Livia (being the Vice Chairman and executive Director); Dr. Lai Tak Kwong Andrew, Mr. Kwan Kin Chung, Mr. Chung Billy, Mr. Tang U Fai, Mr. Tang Kwing Chuen Kenneth and Mr. Chen Man Lung (all being executive Directors); Mr. Chu Bong Foo (being the Chairman and non-executive Director) and Mr. Fan Chun Wah Andrew, Mr. Joseph Lee Chennault, Mr. Lai Qiang and Ms. Ng Ying (all being independent nonexecutive Directors).*

*\*for identification purpose only*