



Golden Harvest

**ORANGE SKY GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED**

**橙天嘉禾娛樂（集團）有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1132)**

**Terms of Reference of the Audit Committee**

(as adopted by the Board on 9 October 1998 and amended on 26 March 2012)

**1. Constitution**

The Board of Directors (the “Board”) of Orange Sky Golden Harvest Entertainment (Holdings) Limited (the “Company”) established a committee to the Board known as the Audit Committee (the “Committee”) on 9 October 1998.

**2. Membership**

2.1 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, a majority of whom should be independent. At least one Committee member must have the appropriate professional qualifications stipulated under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). A quorum shall be two members.

2.2 The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.

2.3 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Company’s Committee for a period of 1 year commencing on the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

**3. Attendance at meetings**

3.1 The Chief Financial Officer of the Company and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least twice a year the Committee shall meet with the external and internal auditors without executive Board members present.

3.2 The meetings and proceedings of the Committee shall be governed by the provisions contained in the Bye-laws of the Company for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.

3.3 The Company Secretary of the Company shall be the secretary of the Committee. The secretary of the Committee should keep full minutes of the Committee meetings. Draft and final version of minutes of the Committee meetings should be sent to all members of the Committee for their comments and records, within a reasonable time after the meeting.

#### **4. Frequency of meetings**

Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

#### **5. Authority**

5.1 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.

5.2 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.

#### **6. Duties**

The duties of the Committee shall be:

- (a) 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 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 to discuss with the external auditor, the nature and scope of the audit and the reporting obligations before the audit commences, and to ensure co-ordination where more than one audit firms are involved;
- (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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before the 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 the 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;
- (e) in regard to (d) above:
  - (i) members of the Committee should liaise with the Board, 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 terms that are, or may need to be, reflected in the reports and accounts and it should give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss and review with the management the system of internal control to ensure that management has performed its duty to have an effective internal control system;
- (h) in regard to (g) above, 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;
- (i) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (j) where an internal audit function exists, to review the internal audit programme, 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;
- (k) to review the group's financial and accounting policies and practices;
  - (l) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
  - (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (n) to report to the Board on the matters set out in the Corporate Governance Code of the Listing Rules;
  - (o) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
  - (p) to review the Company's statement on internal control system (where one is included in the annual report) prior to endorsement by the Board;
  - (q) to set up and review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
  - (r) to act as the key representative body for overseeing the Company's relations with the external auditors; and
  - (s) to consider other topics, as defined by the Board.

## **7. Reporting procedures**

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

## **8. Miscellaneous**

These terms of reference are written in both English and Chinese languages. In the event of any inconsistency or conflict between the English version and the Chinese version, the English version of these terms of reference shall prevail.