

DICKSON CONCEPTS (INTERNATIONAL) LIMITED

AUDIT COMMITTEE – TERMS OF REFERENCE

1. Membership

- 1.1 The Committee shall be appointed by the Board of Directors (the “Board”) and shall consist of not less than three members (the “Members”). All of the Members shall be Non-Executive Directors, a majority of whom shall be Independent Non-Executive Directors (the “INEDs”), and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.
- 1.2 The Chairman of the Committee shall be appointed by the Board and should be an INED.
- 1.3 In the event that the Committee comprises a Non-Executive Director who is a former partner of the Company’s existing auditing firm, such Non-Executive Director shall be prohibited from acting as a Member of the Committee for a period of one year commencing on the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.

2. Secretary

- 2.1 The Company Secretary shall be the secretary of the Committee.
- 2.2 The Committee may from time to time appoint any other person with appropriate qualifications and experience as the secretary of the Committee.

3. Frequency and Proceedings of Meetings

- 3.1 The Committee shall meet at least twice each year. The Company’s external auditors may request that a meeting be held if they consider it necessary.

- 3.2 Proceedings of meetings of the Committee shall be governed by the provisions contained in the new Bye-laws of the Company for regulating the meetings of the Board. In particular, any Member may participate in a meeting by means of a conference call telephone facilities or similar means of communication whereby all persons participating in the meeting are capable of conversing with one another. A resolution in writing signed by all the Members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 3.3 The quorum of the Committee shall be any two Members.
- 3.4 Only Members of the Committee are entitled to vote at the meetings.
- 3.5 Full minutes shall be kept by the secretary of the Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes shall be open for Directors' inspection.

4. Attendance at Meetings

- 4.1 At least once a year, representatives of the Company's external auditors shall meet the Committee without the presence of any Executive Director.
- 4.2 At the invitation of the Committee, the following persons may attend the meetings of the Committee :
- (a) Head of Internal Audit or in his/her absence, a representative from Internal Audit;
 - (b) Group Finance Director or Head of Accounts Department; and
 - (c) other members of the Board or other persons.
- 4.3 The Chairman of the Committee or in his/her absence, another Member (who must be an INED) of the Committee or failing this his/her duly appointed delegate, shall attend the Company's annual general meetings and be prepared to respond to shareholders' questions on the Committee's activities and its responsibilities.

5. Responsibilities, Powers and Functions

The Committee is to assist the Board in fulfilling its duties and shall have the following responsibilities, powers and functions :

Relationship with external auditors of the Company

- 5.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors. In case of change of auditors, to state whether there are any matters that need to be brought to the attention of the shareholders of the Company in the announcement to be published by the Company.
- 5.2 to review and monitor the external auditors' independence and objectivity.
- 5.3 to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences.
- 5.4 to develop and implement policy on the engagement of external auditors to supply non-audit services. For this propose, external auditors 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.

Review of financial information of the Company

- 5.5 to monitor integrity of financial statements of the Company and to review before submission to the Board the Company's annual report and accounts, half-year report and quarterly reports (if applicable) and any significant financial reporting judgments contained therein with particular focus on :
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;

- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting.

5.6 In regard to 5.5 above :

- (a) Members of the Committee must liaise with the Company's Board and senior management;
- (b) the Committee must meet, at least once a year, with the Company's external auditors; and
- (c) 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 staff responsible for the accounting and financial reporting function, compliance officer or external auditors.

5.7 to review the contents of the representation letter to the external auditors prior to submission to the Board.

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

5.8 to review the Company's financial controls, internal control and risk management systems.

5.9 to discuss with the management the systems 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.

5.10 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.

- 5.11 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 the effectiveness of the internal audit function.
- 5.12 to review the Group's financial and accounting policies and practices.
- 5.13 to review the external auditors' management letter, any material queries raised by the external auditors to management in respect of the accounting records, financial accounts or systems of control and management's response.
- 5.14 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.
- 5.15 to report to the Board on the matters set out in the terms of reference.
- 5.16 to consider any other matters as required by the Board.

Reporting responsibilities

- 5.17 The Committee shall report to the Board on a regular basis on the findings, identifying any matters where it considers that action or improvement is needed and making recommendations as to the steps to be taken.

6. Authority

- 6.1 The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to co-operate with the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 6.2 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.

- 6.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report in the Annual Report a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different view.
- 6.4 The Committee is to be provided with sufficient resources to discharge its duties.

7. Publication of the Terms of Reference

- 7.1 The terms of reference will be posted on the website of the Company. A copy of the terms of reference will be made available to any person without charge upon request.