

DICKSON CONCEPTS (INTERNATIONAL) LIMITED
迪生創建(國際)有限公司*
(“the Company”)

TERMS OF REFERENCE OF
AUDIT COMMITTEE
(“the Committee”)

1. Membership

- 1.1 The Committee shall consist of not less than three members (“the Members”) appointed by the Board of Directors (“the Board”). 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 an INED appointed by the Board.
- 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 for a period of one year from the later of the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm.

2. Secretary

- 2.1 The Company Secretary, or in her absence, her delegate, shall act as 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 a year. The Company’s external auditor 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 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 a meeting of the Committee shall be any two Members.

- 3.4 Only Members are entitled to vote at the meetings.
- 3.5 Full minutes of the meetings of the Committee shall be kept by the Secretary of the Committee. Draft and final versions of minutes of the meetings of the Committee shall be circulated to all Members for their comment and records within a reasonable time after the meeting is held. Such minutes shall be open for Directors' inspection.

4. Attendance at Meetings

- 4.1 At least once a year, Members shall meet with representatives of the Company's external auditor without the presence of any Executive Director or management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise.
- 4.2 At the invitation of the Committee, the following persons may attend the meetings of the Committee :-
- (a) Head of Internal Audit Department or in his/her absence, a representative from the Internal Audit Department;
 - (b) Group Finance Director or Head of Accounts Department; and
 - (c) Other members of the Board or any other persons.
- 4.3 The Chairman of the Committee or in his/her absence, another Member (who must be an INED) or failing this his/her duly appointed delegate, shall attend the Company's annual general meetings and be prepared to answer shareholders' questions on the work performed by the Committee and its duties.

5. Duties, Powers and Functions

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

Relationship with the Company's external auditor

- 5.1 to 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;
- 5.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 5.3 to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- 5.4 to develop and implement policy on engaging an external auditor to supply non-audit services and to ensure that the provision of such services does not impair the external auditor's independence or objectivity. 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;
- 5.5 to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

- 5.6 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if applicable) and to review any significant financial reporting judgments contained therein before submission to the Board, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;
- 5.7 Regarding 5.6 above :-
- (a) Members should liaise with the Board and senior management;
 - (b) the Committee must meet, at least twice a year, with the Company's external auditor; and
 - (c) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and 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 external auditor;
- 5.8 to review the contents of the representation letter to the external auditor prior to submission to the Board;

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

- 5.9 to review the Company's financial controls, risk management and internal control systems;

- 5.10 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 5.11 to 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;
- 5.12 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;
- 5.13 to review the Group's financial and accounting policies and practices;
- 5.14 to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- 5.15 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.16 to report to the Board on the matters in the Terms of Reference of the Committee;
- 5.17 to consider any other matters as required by the Board;
- 5.18 to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 5.19 to do any such things to enable the Committee to perform its duties and to discharge its powers and functions conferred on it by the Board.

6. Authority

- 6.1 The Committee is granted the authority to investigate any activity within its terms of reference and all employees of the Company are directed to co-operate with the Committee.
- 6.2 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.
- 6.3 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.

6.4 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report in the Annual Report a statement from the Committee explaining its recommendation and the reason(s) why the Board has taken a different view.

6.5 The Committee shall be provided with sufficient resources to perform its duties.

7. Reporting responsibilities

7.1 The Committee shall report to the Board on a regular basis on the findings, identifying and making recommendations on any matters where action or improvement is needed.

8. Publication of the Terms of Reference

8.1 The terms of reference of the Committee shall be posted on the websites of Hong Kong Exchanges and Clearing Limited and the Company. A copy of the terms of reference of the Committee shall be made available to any person without charge upon request.

** For identification purposes only*