



## **ASIA STANDARD HOTEL GROUP LIMITED**

泛海酒店集團有限公司\*  
(incorporated in Bermuda with limited liability)

(the “Company”)

(Stock Code : 292)

### **Terms of Reference of the Audit Committee**

Adopted by the Board of Directors of the Company (the “Board”) on 30 November 2015

#### Membership

1. The Audit Committee (“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 of the independent directors shall have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A quorum shall be two members.
2. The Chairman of the Committee shall be appointed by the Board and should be an independent director.

#### Attendance at meetings

3. Attendees shall normally include Committee’s members, the Finance Director, the Head of Internal Audit (where an internal audit function exists) and a representative of the external auditors. Other Board members shall also have the right of attendance. Other individuals from finance and accounting functions may be invited to attend all or part of any meeting as and when appropriate. However, at least twice a year the Committee shall meet with the external and internal auditors (if any) without executive Board members present.
4. The Company Secretary shall be the secretary of the Committee. The secretary of the Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Committee.

#### Frequency of Meetings

5. Meetings shall be held not less than twice a year. Any member of the Committee or the Finance Director can convene a meeting from time to time. The external auditors may request a meeting if they consider that one is necessary.

### Notice of Meetings

6. Notice of meetings shall be given to all members of the Committee at least 3 days before the meeting.

### Authority

7. 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.
8. 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.

### Duties

9. The duties of the Committee shall be:

#### *Relationship with the Company's auditors*

- (a) 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;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (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;

#### *Review of the Company's financial information*

- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before 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 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) Regarding (d) above:-
- (i) members of the Committee should liaise with the Board and senior management 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 the report and accounts, and 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 auditors;

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

- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;
- (g) 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;
- (h) 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;
- (i) where an internal audit function exists, 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;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

- (l) to ensure that the Board will provide a timely response to the Company raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the Corporate Governance Code provision set out in Appendix 14 of the Listing Rules;
- (n) to consider other topics, as defined by the Board;
- (o) to 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; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

#### Reporting procedures

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

Hong Kong, 30 November 2015

*Note: If there is any inconsistency between the English and Chinese Versions of this Terms of Reference, the English version shall prevail.*

*\* for identification purpose only*