



MELBOURNE ENTERPRISES LIMITED

萬邦投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 158)

Terms of Reference of Audit Committee

Membership

1. Members of the Audit Committee (the “Committee”) shall be appointed by the board of Directors of the Company (the “Board”). It shall consist of not less than three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Listing Rules.
2. The majority of the Committee members shall be independent non-executive Directors.
3. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of 1 year from the date of his ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,whichever is later.
4. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive Director.
5. The Company Secretary shall act as the Secretary of the Committee.

Attendance at Meetings

6. Members of the Committee shall attend the meeting.
7. Normally, the representatives of the external auditor shall attend the meeting and, other related persons may be invited by the Committee to attend the meeting, as it deems necessary.

Frequency of Meetings

8. The Committee shall meet at least twice a year to review and discuss the interim and annual financial statements of the Company. Additional meetings shall be held as the work of the Committee demands.

Notice of Meetings

9. Meetings of the Committee shall be summoned by the Secretary of the Committee

at the request of any member of the Committee.

Quorum

10. The quorum necessary for the transaction of business of the Committee shall be two.

Minutes of Meetings

11. Full minutes of the Committee meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary).
12. Draft and final versions of minutes of the meetings shall be sent to all Committee members for their comment and records within a reasonable time after each meeting.

Authority

13. The Audit Committee is authorized by the Board:
 - (a) to review any activity within its terms of reference;
 - (b) to obtain any information which its members consider necessary to fulfill the duties of the Committee;
 - (c) to obtain outside legal or independent professional advice to assist the Committee in their work, and such advisors may attend meetings as necessary;

Duties

14. The duties of the Audit Committee shall include:-

Relationship with Company's auditors

- (a) to be primarily responsible for making recommendations 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. The Committee shall 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 shall 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 shall 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) Regard (d) above: -
 - (i) members of the Committee shall liaise with the Board and senior management and the Committee shall meet, at least twice a year, with the Company's auditors; and
 - (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it shall 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 and internal control procedures

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion shall 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 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 issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in the Corporate Governance Code provision;
- (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 shall 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.

Publication of the Terms of Reference

15. The Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on both the Company's website and the website of The Stock Exchange of Hong Kong Limited.

Adopted on 7 March 2012