



# CAFÉ DE CORAL HOLDINGS LIMITED

大家樂集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

Website: <http://www.cafedecoral.com>

(Stock Code: 341)

## Audit Committee

### Revised Terms of Reference

(Approved by the Board on 30 November 2015)

#### **1. Constitution**

1.1 The Board had, in the past, resolved to establish a Committee of the Board known as the Audit Committee.

#### **2. Membership**

2.1 The Audit Committee shall be appointed by the Board from amongst the non-executive Directors of the Company only and should comprise a minimum of 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The majority of committee members should be independent non-executive Directors of the Company.

2.2 A former partner of the Company's existing auditing firm shall not act as a member of the Audit Committee until one year after the commencement of the later of the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm.

#### **3. Chairman**

3.1 The Board shall appoint the chairman of the Audit Committee. The chairman must be an independent non-executive Director. The chairman has the responsibility of liaising with the Board.

3.2 The chairman shall chair the meetings of the Audit Committee.

\* For identification purposes only

3.3 In the absence of the chairman of the Audit Committee, the remaining members present shall elect one of themselves to chair the meetings of the Audit Committee.

#### **4. Authority**

4.1 The Audit Committee is authorized by the Board to take actions and acts as necessary in pertaining its duties.

#### **5. Duties**

5.1 The duties of the Audit Committee shall be:

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

5.1.1 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;

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

5.1.3 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

5.1.4 to act as the key representative body for overseeing the Company's relations with the external auditor;

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

5.1.5 to monitor integrity of the Company's financial statements and the Company's 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 judgemental 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;

5.1.6 regarding 5.1.5 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 auditor; and
- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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 auditor;

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

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

5.1.8 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, internal audit and financial reporting functions;

- 5.1.9 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;
- 5.1.10 to review and approve the internal audit plan to ensure its conformity with the Company's objectives, and to assess the performance of internal audit, both qualitative and quantitative;
- 5.1.11 to ensure coordination between the internal and external auditors with their independence from each other subject to the satisfaction of the Audit Committee, 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;
- 5.1.12 to review the Group's financial and accounting policies and practices;
- 5.1.13 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;
- 5.1.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.1.15 to report to the Board on the matters under this terms of reference;
- 5.1.16 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 Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action;
- 5.1.17 to establish a whistleblowing policy and system of the Company for employees and business partners to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company;
- 5.1.18 to consider other topics, as defined by the Board;

***Corporate governance functions***

- 5.1.19 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- 5.1.20 to review and monitor the training and continuous professional development of directors and senior management;
- 5.1.21 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 5.1.22 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- 5.1.23 to review the Company's compliance with code and disclosure in the Corporate Governance Report.

The Committee shall play an advisory role for drawing the Board attention of any special issues being reviewed by the Committee members. The final decision of those transactions shall remain and be decided at the full board meeting.

## **6. Quorum and voting of meetings**

- 6.1 The quorum of Audit Committee meetings shall be two members. If only two members are in attendance, then both members shall be independent non-executive Directors. If more than two members are in attendance, then a majority of the members shall be independent non-executive Directors.
- 6.2 Questions arising in any meetings shall be decided by a simple majority of votes.

## **7. Attendance at meetings**

- 7.1 The Audit Committee members may attend meetings of the Audit Committee either in person or through other electronic means of communication (if made available by the Company). Should any member of the Audit Committee wish to attend a meeting through electronic communications, prior arrangements shall be made with the secretary of the Audit Committee.
- 7.2 The Chief Financial Officer, Group Financial Controller and the Head of Internal Audit shall normally attend the meeting of the Audit Committee, with a representative of the external auditor invited at least twice a year to meet with the Audit Committee members.
- 7.3 The Company Secretary shall be the secretary of the Audit Committee.

## **8. Frequency of meetings**

- 8.1 At least two meetings shall be held each year and any ad hoc meetings should be convened as and when necessary.

## **9. Notice of meetings**

- 9.1 Meetings of the Audit Committee shall be convened by the secretary of the Audit Committee at the request of any of its members or at the request of the external or internal auditors.

- 9.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be sent to each member of the Audit Committee, and to any other person required to attend:

9.2.1 in relation to all regular meetings of the Audit Committee, at least 14 days before the date of the meeting; and

9.2.2 in relation to all other meetings of the Audit Committee, within a reasonable time prior to the date of the meeting.

- 9.3 An agenda of items to be discussed, together with supporting papers shall be sent to Audit Committee members and to other attendees as appropriate at least 3 days prior to the date of the meeting.

- 9.4 Any member of the Audit Committee shall be entitled, by notice to the secretary of the Audit Committee, to include other matters relevant to the functions of the Audit Committee in the agenda of regular Audit Committee meetings.

## **10. Minutes of meetings**

- 10.1 The secretary of the Audit Committee (or his/her delegate) in attendance at the meetings of the Audit Committee shall prepare minutes in sufficient detail of the proceedings and resolutions of all such meetings, including the names of those present and in attendance, the matters considered, decisions reached and/or recommendations made by the members of the Audit Committee during the meetings. The minutes should also include any concerns raised by any member of the Audit Committee and/or dissenting views expressed.

- 10.2 The secretary of the Audit Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Audit Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Audit Committee in which he/she and/or his/her associates have a material interest.

10.3 Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comments and records respectively, within a reasonable time after the meeting and before the next meeting.

10.4 Minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee and shall be available for inspection by any member of the Audit Committee and/or any Director of the Company at any reasonable time on reasonable notice.

## **11. Annual general meetings**

11.1 The chairman of the Audit Committee shall endeavour to attend the annual general meetings of the Company and be prepared to respond to any shareholder questions on the Audit Committee's activities.

11.2 If the chairman of the Audit Committee is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Audit Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any shareholder questions on the Audit Committee's activities.

11.3 Management shall ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

## **12. Reporting responsibilities**

12.1 After each meeting, the chairman of the Audit Committee shall report formally to the Board on all matters within its duties and responsibilities.

12.2 The Audit Committee shall make whatever recommendations it deems appropriate to the Board on any area within its remit where action or improvement is needed.

12.3 Where the Board disagrees with the Audit Committee's views on the selection, appointment and resignation or dismissal of the external auditor, the Audit Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its recommendations. The Board shall include in the same report the reason(s) why the Board takes a different view.

12.4 The Audit Committee shall, with the assistance of the secretary of the Audit Committee, compile a report to shareholders on its role and activities which will be included in the Company's Corporate Governance Report.

### **13. Other**

- 13.1 The Audit Committee shall have access to sufficient resources in order to perform its duties. In the event that the Audit Committee determines that it has insufficient resources, it may make a request for additional resources to the Board through the Company Secretary.
- 13.2 All members of the Audit Committee shall have access to the advice and services of the secretary of the Audit Committee with a view to ensuring that procedures of the Audit Committee and all applicable laws, rules and regulations are followed.
- 13.3 Any member of the Audit Committee may require access to outside legal or other independent professional advice in connection with his/her duties at the Company's expense.
- 13.4 Every member of the Audit Committee shall give sufficient time and attention to his/her duties as a member of the Audit Committee. He/she shall give the Company the benefit of his skills and expertise through regular attendance and active participation.
- 13.5 The Audit Committee should make available its terms of reference explaining its role and authority on the websites of the Company and The Stock Exchange of Hong Kong Limited.