

**NEW WORLD MOBILE HOLDINGS LIMITED**  
**新世界移動控股有限公司**

**TERMS OF REFERENCE**  
**OF**  
**THE AUDIT COMMITTEE**

(Adopted on 14 March 2005)

**1. Constitution**

The Audit Committee (“Committee”) was established by the board of directors (“Board”) of New World Mobile Holdings Limited (the “Company”) on 6 May 1999 to assist the Board in providing an independent review of the effectiveness of the financial reporting process and internal control system of the Company and its subsidiaries (the “Group”).

**2. Membership**

- 2.1 The members of 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 non-executive directors.
- 2.2 The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.
- 2.3 The company secretary of the Company shall be the secretary of the Committee.

**3. Meetings**

- 3.1 The meeting of the Committee shall be held upon request of the Chairman of the Committee but in no event less than twice a year. In addition, the external auditors may request a meeting if they consider it necessary and appropriate.
- 3.2 The quorum for a meeting of the Committee shall be at least two members present in person.
- 3.3 The meetings and proceedings of the Committee shall be governed by the provisions contained in Articles 123 to 133 (both inclusive) of the Company’s Articles of Association for regulating the meetings and proceedings of the Board.

**4. Attendance at meetings**

- 4.1 The Finance Director, the Chief Executive Officer, the Head of Internal Audit (if any) and a representative of the external auditors shall normally attend the meetings of the Committee.
- 4.2 The Committee may invite any appropriate person(s) to attend the meeting of the Committee if it considers necessary and appropriate. Other members of the Board shall also have the right of attendance.

**5. Duties and authority**

5.1 The scope of duties of the Committee shall be as follows:-

- (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 resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit 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 the engagement of an external auditor to supply non-audit services. For this purpose, external auditor 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. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (d) to monitor integrity of the financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports of the Company, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the annual report and accounts, half-year report and, if prepared for publication, quarterly reports of the Company 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other legal requirements in relation to financial reporting;

- (e) In regard to (d) above:-
  - (i) members of the Committee must liaise with the Board, senior management and the Finance Director and the Committee must meet, at least once 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 such reports and accounts and must give due consideration to any matters that have been raised by the Finance Director, compliance officer or auditors;
- (f) to review the financial controls, internal control and risk management systems of the Company;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (h) 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;
- (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 issuer, and to review and monitor the effectiveness of the internal audit function;
- (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 in respect of the 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 set out in these terms of reference; and
- (n) to consider other topics, as defined by the Board.

5.2 The authority of the Committee shall be as follows:-

- (a) the Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to request any

information it requires from any employee of the Company. Upon request of the Committee, all employees shall produce the requested information to the Committee; and

- (b) the Committee is authorised by the Board to obtain advices from legal firm or other independent professional adviser and to secure the attendance of the representatives from the legal firm or other independent professional adviser if it considers this necessary and appropriate.

**6. Reporting procedures**

Within reasonable time after meetings of the Committee, the secretary shall send the draft minutes for review and confirmation by the members of the Committee. Final minutes of the meeting shall be sent to members of the Committee for record.

**7. Corporate Governance Report**

The Corporate Governance Report in the Annual Report shall include the following information relating to the Committee:

- (a) its role, function and composition of the Committee members (including names of the Chairman and members of the Committee);
- (b) the number of the Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year;
- (c) a report on the work performed by the Committee during the year in discharging its responsibilities in its review of the half-yearly and annual results and system of internal control, and its other duties set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”); and
- (d) details of non-compliance with rule 3.21 of the Listing Rules (if any) and an explanation of the remedial steps taken by the Company to address such non-compliance relating to establishment of the Committee.

**8. Effective**

These terms of reference shall have full force and effect from its adoption date until revocation or variation by the Board.