



INTERNATIONAL ENTERTAINMENT CORPORATION

國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01009)

(the “Company”)

TERMS OF REFERENCE – AUDIT COMMITTEE

1. CONSTITUTION

The board (the “Board”) of directors of the Company (the “Directors”) had resolved to establish a committee of the Board to be known as the audit committee (the “Committee”).

2. MEMBERSHIP

2.1 The members of the Committee (the “Members”) shall be appointed by the Board from amongst the non-executive Directors. The Committee shall consist of not less than three Members, a majority of whom should be the independent non-executive Directors (the “INED”).

2.2 At least one INED shall possess with appropriate professional qualifications or accounting or related financial management expertise as required pursuant to Chapter 3 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2.3 The chairman of the Committee shall be appointed by the Board and must be an INED.

2.4 A former partner of the Company’s existing auditing firm shall not act as a Member for a period of one 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.

3. SECRETARY

The secretary of the Company shall be the secretary of the Committee (the “Secretary”).

4. ATTENDANCE AT THE MEETING

4.1 The Committee may invite other persons such as the chief executive officer and the chief financial officer of the Company and the external auditors of the Company to attend meetings if considered necessary. Other Directors shall also have the right of attendance.

4.2 At least twice a year the Committee shall meet with the external auditors of the Company without the presence of the executive Directors.

4.3 Only Members are entitled to vote at the meetings.

5. MEETINGS

5.1 The Committee shall meet at least twice a year. Meeting may be convened by any Members or by the Secretary at the request of a Member. Meetings may be held in person or by telephone.

5.2 The external auditors of the Company may request for a meeting to be held if they consider that one is necessary.

5.3 Unless otherwise agreed by all Members, a meeting of the Committee shall be called by at least seven (7) days’ notice. Notice may be given in writing or by telephone or by facsimile or electronic transmission or other similar means or in such other manner as the Committee may from time to time determine.

5.4 The quorum of the Committee meeting shall be two Members present in person or by telephone.

5.5 Full minutes of the Committee meetings shall be kept by the Secretary. Draft versions of the minutes of the Committee meetings shall be sent to all Members for their comments as soon as reasonably practicable. Final version of the minutes shall be prepared and sent to all Members and the Board for records within a reasonable time after the meeting.

- 5.6 Resolutions of the Committee at any meeting shall be passed by a simple majority of votes of the Members present in person or by telephone. 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. In the case of an equality of votes, the chairman shall be entitled to a second or casting vote in addition to any other vote he may have.
- 5.7 Save as otherwise provided herein, all the provisions of laws and of the Company's bye-laws relating to the proceedings of the Board shall mutatis mutandis to the meetings and proceedings of the Committee.

6. AUTHORITY

- 6.1 The Committee is authorised by the Board to investigate any activity with its terms of reference. It is authorised to seek any information on any matter relating to the financial position of the Company and its subsidiaries or affiliates it requires and all employees are directed to co-operate with any request made by the Committee for the purposes of performing its duties.
- 6.2 The Committee is authorised by the Board to obtain independent legal or other professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary to perform its duties at the expense of the Company.
- 6.3 The Committee shall be provided with sufficient resources to perform its duties.
- 6.4 The Committee shall review arrangements by which the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 6.5 The Committee shall act as the key representative body for overseeing the Company's relations with the external auditors of the Company.

7. DUTIES

The duties of the Committee shall be:

Relationship with the Company's external auditors

- (a) to be primarily responsible for making recommendation 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 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 standards. The Committee should discuss with the external 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 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 having knowledge of 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 the Company's financial information

- (d) to monitor integrity of financial statements of the Company 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 the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly 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) In regard to (d) above:
- (i) the Members should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company's external 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, 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 of the Company;

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 the management to ensure that management has performed its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (h) to consider major investigations 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 of the Company, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (k) to review the Company's 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 Company's external auditor's management letter;
- (m) to report to the Board on the matters set out in the code provisions of the Corporate Governance Code (Appendix 14 of the Listing Rules); and
- (n) to consider other topics as defined by the Board.

8. REPORTING PROCEDURES

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board after each meeting.

Note: In the event of inconsistency, the English texts of the terms of reference of the audit committee shall prevail over the Chinese texts thereof.

November 2015