



澳門博彩控股有限公司 SJM HOLDINGS LIMITED

(在香港註冊成立的有限責任公司)
(股份代號：880)

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TERMS OF REFERENCE FOR AUDIT COMMITTEE

1. Purposes

The primary purposes and responsibilities of the audit committee (the “**Committee**”) of SJM Holdings Limited (the “**Company**”) are to oversee on behalf of the board of directors of the Company (the “**Directors**” and collectively, the “**Board**”):

- the Company’s accounting and financial reporting processes and the integrity of its financial statements;
- the audits of the Company’s financial statements and the appointment, compensation, qualifications, independence and performance of the Company’s external auditors;
- the performance of the Company’s internal audit function, risk management and internal control over financial reporting; and
- ensure that connected party transactions between the Company and its connected persons are undertaken on terms set out in the relevant agreements and in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Committee’s function is one of oversight only and does not relieve management of its responsibilities for preparing financial statements that accurately and fairly represent the Company’s financial results and condition, nor the external auditors of their responsibilities relating to audit or review of financial statements.

2. Membership

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

- 2.2 At least one of the members of the Committee is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the relevant provisions of the Listing Rules.
- 2.3 The chairman of the Committee shall be appointed by the Board and should be an independent non-executive Director.
- 2.4 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing:
- (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,
- whichever is later.
- 2.5 Each member shall disclose to the Committee his interest in any matter to be decided by the Committee. If a member has a conflict of interest which the Committee has determined to be material, the matter should not be dealt with by unanimous written consent of the Committee and the interested member shall not vote nor be counted in the quorum in respect of the relevant resolution(s). Besides, he shall also be physically absent from the venue of the meeting during the time the relevant transaction is being discussed and voted on by the other members.

3. Independence

The independent non-executive Directors appointed to the Committee must have been determined by the Board to be independent as defined in the Listing Rules, as such rules may be amended from time to time.

4. Appointment

Subject to the requirements of the Listing Rules, the Board may appoint and remove committee members in accordance with the Articles of Association of the Company (the "**Articles of Association**"). Committee members will serve for such terms as the Board may fix, and in any case at the Board's will, whether or not a specific term is fixed.

5. Duties

5.1 External auditors and their services

- 5.1.1 to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;

- 5.1.2 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 5.1.3 to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- 5.1.4 to develop and implement policy on engaging external auditors to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed; and

Note:

For this purpose, "external auditors" 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.

For the provision of non-audit services by the Company's external auditors below HK\$1 million, management has the authority to appoint without prior approval of the Committee. For non-audit services with a value equal to or above HK\$1 million, approval of the Committee should be obtained so as to ensure that auditors' independence was preserved. Moreover, appointment of the Company's external auditors for one-time non-audit services below HK\$1 million has to be reported to the Committee for record purposes.

- 5.1.5 to act as the key representative body for overseeing the Company's relation with the external auditors.

5.2 Review of financial information

- 5.2.1 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 assumption and any qualifications;

- (v) compliance with accounting standards; and
- (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

5.2.2 In regard to 5.2.1 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 external auditors;
- (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 external auditors; and
- (iii) the Committee should discuss problems and reservations arising from the interim or quarterly reviews and final audits, and any matters the external auditors may wish to discuss (in the absence of management);

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

- 5.3.1 to review the Company's statement on internal control systems of the Company and its subsidiaries (collectively the "**Group**") (where one is included in the annual report) prior to endorsement by the Board. It is the Board's responsibility to review annually to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- 5.3.2 to review the Group's material controls, including financial, operational and compliance controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Group's risk management and internal control systems;
- 5.3.3 to discuss the risk management and internal control systems with management and take appropriate steps to ensure that management has performed its duty to have effective and adequately resourced 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;
- 5.3.4 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;

- 5.3.5 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;
 - 5.3.6 to review the Group's financial and accounting policies and practices;
 - 5.3.7 to review the external auditors' management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response;
 - 5.3.8 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and
 - 5.3.9 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 the fair and independent investigation of these matters and for appropriate follow-up action.
- 5.4 Monitoring of connected party transactions
- 5.4.1 to review and approve connected party transactions which are non-exempt connected party transactions (whether continuing or one-off transaction) including any announcements or, where appropriate, circular to be prepared in connection with such transactions;
 - 5.4.2 to periodically review not less frequently than twice annually by the Committee all connected party transactions to ensure compliance with the internal control system of the Company and the relevant provisions of the Listing Rules relating to connected party transactions;
 - 5.4.3 to review and assess the effectiveness and adequacy of the internal control system of the Company relating to compliance with the relevant provisions of the Listing Rules on connected party transactions;
 - 5.4.4 to solicit comments from the external auditors on its assessment of compliance by the Company of the relevant provisions of the Listing Rules relating to connected party transactions;
 - 5.4.5 to consider appointing an independent audit firm to perform periodic counts of Sociedade de Turismo e Diversões de Macau, S.A. ("STDM") Chips stored in STDM's warehouses commencing from 1 January 2008. The frequency of such counts shall be determined by the Committee following the advice of management;
- 5.5 to report to the Board on matters set out in these terms of reference; and
- 5.6 to consider other topics, as defined by the Board.

6. Meetings, procedures and authority

6.1 Meetings

- 6.1.1 The Committee will meet as often as it determines is necessary, but not less than twice annually. Meetings can be held by way of electronic means of communications.
- 6.1.2 The Committee may also hold special meetings or act by unanimous written consent as the Committee may decide consistent with the Articles of Association.
- 6.1.3 The Committee will meet separately and periodically with management (including the chief financial officer of the Company), internal auditors (or other personnel responsible for the internal audit function) and external auditors.
- 6.1.4 To the extent the Committee deems necessary and appropriate, it will also discuss with the Company's general counsel any legal matters that may materially impact the Company's financial statements, internal control over financial reporting.
- 6.1.5 In addition, the Committee may meet from time to time with other persons, as it deems necessary or appropriate.
- 6.1.6 The external auditors may request a meeting if they consider that one is necessary.

6.2 Procedures

- 6.2.1 The Committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with these terms of reference, the Articles of Association and other corporate governance documents, the Listing Rules and applicable laws or regulations.
- 6.2.2 The chairman of the Committee or majority of the Committee members may call meetings of the Committee. The secretary of the Committee on requisition of the chairman of the Committee or majority of the Committee members may also call meetings of the Committee.
- 6.2.3 A majority of the authorized number of committee members will constitute a quorum for the transaction of Committee business, and the vote of a majority of the Committee members present at a meeting at which a quorum is present will be the act of the Committee, unless in either case a greater number is required by these terms of reference, the Articles of Association or the Listing Rules. In case of an equality of votes, the chairman of the Committee shall have a second or casting vote.

6.2.4 The Company Secretary of the Company shall be the secretary of the Committee. Full minutes of the Committee meetings should be kept by the Company Secretary. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comments and records within a reasonable time after the meeting is held.

6.3 Authority

6.3.1 The Committee is at all times authorized to have direct, independent and confidential access to the external auditors and the Company's other Directors, management and personnel to carry out the Committee's purposes.

6.3.2 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information if required from any employee and all employees are directed to co-operate with any request made by the Committee.

6.3.3 The Committee will have sufficient resources to perform its duties. Where necessary, the Committee should seek independent professional advice, at the Company's expense, to perform its responsibilities.

6.3.4 The Committee is authorised 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.

6.3.5 The Committee is authorized to obtain at the Company's expense any data and documentation as the Committee considers appropriate.

7. Reports

7.1 The Committee will report to the Board annually the overall results of its annual review of the external auditors' qualifications, performance and independence.

7.2 The Committee will also report to the Board on the major items covered by the Committee at each Committee meeting, and provide additional reports to the Board as the Committee may determine to be appropriate, including review with the full Board of any issues that arise from time to time with respect to the quality or integrity of the Company's financial statements, the performance and independence of the external auditors, the risk management and internal control systems and the effectiveness of the internal audit function.

8. Annual Review

The Committee will review its terms of reference on an annual basis.

(The English text of these Terms of Reference shall prevail over the Chinese text in case of any inconsistency.)