



Audit Committee Terms of Reference

(Approved by the Board on 30 September 2005)

Reference to "the Committee" shall mean the Audit Committee of Xpress Group Limited.

Reference to "the board" shall mean the board of directors of Xpress Group Limited.

Reference to "the company" shall mean Xpress Group Limited and reference to "the group" shall mean the company and its subsidiary undertakings.

1. Membership

- 1.1 Members of the Committee shall be appointed by the board where appropriate in consultation with the Chairman of the Committee. The Committee shall be made up of at least three members;
- 1.2 Majority of members of the Committee shall be independent non- executive directors, at least one of whom shall have relevant financial experience. The Chairman of the board shall not be a member of the Committee;
- 1.3 Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chairman of the board, the Managing Director, other directors and representatives from the finance function, may be invited to attend all or part of any meeting as and when appropriate;
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis;

1.5 Appointments to the Committee shall be for such initial period (subject to extension) as prescribed by the board; and

1.6 The board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of the members to chair the meeting.

2. Secretary

The company secretary shall act as the secretary of the Committee.

3. Quorum

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Frequency of Meetings

The Committee shall meet at least two or such other times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5. Notice of Meetings

5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary; and

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend at least 14 days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at least three clear days in advance of the meeting.

6. Minutes of Meetings

6.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance;

6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly; and

6.3 The secretary shall circulate the minutes of Committee meetings to all members of the Committee within a reasonable time (generally within 14 days) after each meeting and, once agreed, to all members of the board.

7. Annual General Meeting

The Chairman of the Committee should, as far as practicable, attend the Annual General Meeting and make himself available to respond to any shareholder questions on the Committee's activities.

8. Duties

The Committee shall carry out the duties below for the company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1 Financial Reporting

8.1.1 The Committee shall monitor integrity of the financial statements of the company, including its annual report and accounts, interim and other periodic reports, preliminary results' announcements and review significant financial reporting judgments contained in them;

8.1.2 The Committee shall review and focus on areas including:

8.1.2.1 any changes in accounting policies and practices;

8.1.2.2 major judgmental areas;

8.1.2.3 significant adjustments resulting from audit;

8.1.2.4 the going concern assumptions and any qualifications;

8.1.2.5 compliance with accounting standards; and

8.1.2.6 compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting.

8.2 Internal Controls and Risk Management Systems

The Committee shall:

8.2.1 keep under review the effectiveness of the Group's internal controls and risk management systems;

8.2.2 ensure management has discharged its duty to have an effective internal controls system;

8.2.3 consider any findings of major investigations of internal controls matters;

8.2.4 review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.3 Employees' Concerns

The Committee shall review the company's arrangements for its employees to raise concerns, in confidence and/or anonymous, about possible wrongdoing in financial reporting, internal controls or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

8.4 External Audit

The Committee shall:

8.4.1 consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee shall oversee the selection process for new auditors and if auditors resign the Committee shall investigate the issues leading to this and decide whether any action is required;

8.4.2 oversee the relationship with the external auditors including (but not limited to):

8.4.2.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

- 8.4.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.4.2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any nonaudit services;
 - 8.4.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Company (other than in the ordinary course of business);
 - 8.4.2.5 agreeing with the board a policy on prohibition of the employment of former partner of the Company's auditors acting as a member of the Committee for a period of 1 year commencing on 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 the later, then monitoring the implementation of this policy; and
 - 8.4.2.6 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process.
- 8.4.3 meet regularly with the external auditors to discuss the nature and scope of the audit and reporting obligations before audit commences and once after the audit at the reporting stage. The Committee shall meet the external auditors, where appropriate, without management being present, to discuss their remit and any issues arising from the audit;
- 8.4.4 review the findings of the audit with the external auditors. This shall include but not be limited to, the following:

8.4.4.1 a discussion of any major issues which arose during the audit;

8.4.4.2 any accounting and audit judgments; and

8.4.4.3 levels of errors identified during the audit;

8.4.5 review the management letter and management's response to the auditors' findings and recommendations;

8.4.6 review the effectiveness of the audit; and

8.4.7 develop and implement a policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter. A list of prohibition of non-audit services provided by external auditors is set out in Appendix 1.

8.5 Reporting Responsibilities

8.5.1 The Committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

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

8.6 Other Matters

The Committee shall:

- 8.6.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.6.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 8.6.3 give due consideration to applicable laws and regulations, including relevant corporate governance codes and the Rules of the Hong Kong Stock Exchange as appropriate;
- 8.6.4 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 8.6.5 make available the Committee's terms of reference.

9. Authority

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of the Group in order to perform its duties;
- 9.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 9.3 to call any employee to be questioned at a meeting of the Committee as and when required.

Appendix 1

Non-Audit Services

External auditors are prohibited to provide the following non-audit services to the Company which would impair the auditors' independence:-

- (i) Book-keeping or other services related to the audit client's accounting records or financial statements;
- (ii) Financial information systems design and implementation;
- (iii) Appraisal or valuation services and fairness opinions;
- (iv) Actuarial services;
- (v) Internal audit services;
- (vi) Management functions;
- (vii) Human Resources;
- (viii) Broker-dealer services; and
- (ix) Legal services.