

HKR INTERNATIONAL LIMITED
香港興業國際集團有限公司*
(the “Company”)

INTERNAL AUDIT CHARTER

CHARTER

The charter serves as a guide to the internal auditor in the performance of his/her duties. The charter is intended to:

- provide a formally approved policy of the internal audit activity.
- provide a basis for the evaluation of the performance of the Internal Audit Department by the management of the organization.
- establish the internal audit activity's position within the organization.
- authorize access to records, personnel, and physical properties relevant to the performance of engagements.

MISSION AND SCOPE OF WORK

The mission of the internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the internal audit department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- risks are appropriately identified and managed.
- significant financial, managerial, and operating information is accurate, reliable, and timely.
- employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- resources are acquired economically, used efficiently, and adequately protected.
- programs, plans, and objectives are achieved.
- quality and continuous improvement are fostered in the organization's control process.
- significant legislative or regulatory issues impacting the organization are recognized and addressed properly.

Opportunities for improving management control, profitability, and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

ACCOUNTABILITY

The internal auditor, in the discharge of his/her duties, shall be accountable to management and the audit committee to:

- provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
- coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

INDEPENDENCE

The internal auditor shall report administratively to the Managing Director and functionally to the Audit Committee of the Board of Directors.

All internal audit activities shall remain free from control or undue influence including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective manner necessary in rendering reports.

The internal auditor shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

RESPONSIBILITY

The internal auditor has a professional responsibility to:

- develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the audit committee for review and approval.
- implement the annual audit plan and any special tasks or projects requested by management and the audit committee.
- maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- evaluate and assess significant merging functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- issue periodic reports to the audit committee and management summarizing results of audit activities.

- assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the audit committee of the results.
- consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

AUTHORITY

The internal auditor is authorized to:

- have unrestricted access to all functions, records, property, and personnel.
- have full and free access to the audit committee.
- allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The internal auditor is not authorized to:

- perform any operational duties for the organization or its affiliates.
- initiate or approve accounting transactions external to the internal audit department.
- direct the activities of any organization employee not employed by the internal auditing department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditor.

STANDARDS OF AUDIT PRACTICE

The internal auditor will adhere to the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

Adopted on 20 June 2008

** Registered under the predecessor of the Companies Ordinance, Chapter 622 of the laws of Hong Kong*