



SAN MIGUEL BREWERY HONG KONG LTD.

香港生力啤酒廠有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 236)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. GENERAL SCOPE AND AUTHORITY

- 1.1 San Miguel Brewery Hong Kong Limited (the “Company”) Audit Committee (the “Committee”) is a committee of the board of the Company established under Article 131 of the Articles of Association of the Company (the “Articles”).
- 1.2 Proceedings and meetings of the Committee will be governed by the provisions of the Articles on regulation of the proceedings and meetings of the board of the Company in so far as they are applicable and not inconsistent with these terms of reference.
- 1.3 The purpose of the Committee is to assist the board of the Company in fulfilling its corporate governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems and internal and external audit functions.
- 1.4 The Committee is authorised by the board to investigate any activity within its functions and responsibilities outlined its terms of reference. The Committee is a non-executive committee tasked with recommending to the board appropriate actions emanating from these investigations. The Committee shall have unrestricted access to personnel, records, internal and external auditors, risk assessment and assurance and senior management, as appropriate. The Committee is authorised by the board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary in the performance of its functions.
- 1.5 The Committee shall be provided with sufficient resources by the Company to discharge its duties.

2. COMPOSITION

- 2.1 The Committee shall be comprised of at least three independent non-executive directors, each of whom is financially literate. At least one member should have a background in financial reporting, accounting or auditing. The chairman of the Company may not be the chairman of the Committee.

2.2 The Committee comprises of the following members:

Dr. the Hon. Sir David K. P. Li (chairman)
Mr. Wai Sun Ng
Mr. Carmelo L. Santiago

2.3 Members will be proposed by the chairman of the Company and approved by the directors. Members shall be appointed for an initial term of three years. Membership shall be reviewed every three years, or earlier if the board deems necessary.

2.4 Periodic rotation of the members' appointments is encouraged.

2.5 A quorum will comprise any two Committee members. In the absence of the Committee chairman or appointed delegate, the Committee members present shall elect one of their members as chairman of the meeting.

2.6 The chairman of the Committee shall not have a second or casting vote.

2.7 The Company secretary shall be the secretary of the Committee.

3. MEETINGS

3.1 The Committee shall meet as frequently as required but not less than twice a year. Any Committee member or the secretary may call a meeting of the Committee, or the external auditors may request a Committee member to call a meeting.

3.2 A notice of each meeting confirming the date, time, venue and agenda shall be forwarded to each member of the Committee (with a copy to all board members) at least seven working days prior to the date of the meeting. The relevant supporting papers are sent in full to all committee members at least 3 days before each meeting.

3.3 The Committee shall have access to professional advice from employees within the Company and from appropriate external advisers. The Committee may meet with these external advisers without management being present.

3.4 The chairman of the Committee, or delegate, shall report to the board on the decisions and recommendations made by the Committee following each meeting, except where there are legal or regulatory restrictions on such reporting by the Committee to the board.

3.5 Full minutes of the proceedings of, and resolutions made during, Committee meetings shall be kept by the secretary of the Committee. Draft minutes shall be sent to the Committee members for their comment, and final versions of the minutes shall be distributed to all Committee members and other directors after the same has been approved by the Committee chairman. Notices, minutes, agenda and supporting papers will be made available to any director upon request to the secretary of the Committee.

3.6 The Committee may invite any person to attend the meetings of the Committee, but not necessarily for the full duration of the meeting. A standing invitation shall be issued to:

- Chairman of the board;
- Managing director;

- Chief finance officer;
- Internal auditor; and
- Engagement partners of the Company's external auditing firm.

3.7 The Committee will meet with the Company's external auditors without members of management being present, whenever it is deemed appropriate by the chairman of the Committee.

3.8 At the discretion of the chairman of the Committee, separate meetings may also be held with any member of Company's management.

4. DUTIES AND RESPONSIBILITIES

The duties of the Committee are:

4.1 Relationship with the Company's external auditors

- (a) to be primarily responsible for making recommendation 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;
- (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 Committee shall 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 engaging 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 knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee shall report to the board, identifying and making recommendations on any matters where action or improvement is needed;

4.2 Review of the Company's financial information

- (a) 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 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;
- (b) Regarding (a) above:
- (i) members of the Committee shall liaise with the board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and account, it shall give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

4.3 Oversight of the Company's financial reporting system and internal control procedures

- (a) to review the Company's financial controls, internal control and risk management systems;
- (b) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (c) to consider major investigation findings on internal control matters as delegated by the board or on its own initiative and management's response to these findings;
- (d) 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;
- (e) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (f) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the board on the matters set out in the Code on Corporate Governance Practices; and
- (i) to consider other topics, as defined by the board;

4.4 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 fair and independent investigation of these matters and for appropriate follow-up action; and

4.5 To act as the key representative body for overseeing the Company's relations with external auditor.

5. SELF ASSESSMENT

5.1 The Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice. The Committee's terms of reference shall be reviewed annually, updated as required, and shall be made available to any requesting party upon written request to the Company secretary.

30 March 2012