



GALAXY ENTERTAINMENT GROUP LIMITED

銀河娛樂集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 27)

Audit Committee

**Revised Terms of Reference adopted on 14 September 2005
and altered on 24 April 2009, 15 March 2012 and 17 December 2015**

A. Constitution

- A.1 The Audit Committee was established by the Board.
- A.2 These terms of reference of the Audit Committee were approved by the Board on 14 September 2005 and altered on 24 April 2009, 15 March 2012 and 17 December 2015. The Board has the authority to review and amend these terms of reference from time to time.

B. Membership

- B.1 The Committee shall comprise non-executive Directors only and shall consist of a minimum of three members (including its chairman), at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, or such other composition allowed under the Listing Rules as the Board may approve from time to time. The majority of the Members must be independent non-executive Directors.
- B.2 The chairman of the Committee will be appointed by the Board. The Committee must be chaired by an independent non-executive Director.

C. Term

- C.1 The term of each Member shall be determined by the Board. If a Member ceases to be a Director, then his office as a Member shall ipso facto cease.

D. Meetings

- D.1 The quorum for a meeting of the Committee shall be two Members.
- D.2 Members may participate either in person or through electronic means of communication and active participation is expected.
- D.3 Committee meetings shall be held at least half-yearly. The Committee shall meet with the external auditor at least twice a year. The external auditor may request a meeting if they consider that one is necessary.
- D.4 Notice of at least 7 days shall be given to all Members. An agenda and accompanying meeting papers shall be sent to all Members at least 3 days before the intended date of the Committee meeting (or such other period as agreed).
- D.5 The Company's staff responsible for the accounting and financial reporting function and the external auditor shall normally attend Committee meetings. Other Board members shall also have the right of attendance.
- D.6 The Company Secretary of the Company shall be the secretary of the Committee.
- D.7 Full minutes of Committee meetings shall be kept by the Secretary of the Committee. Draft and final versions of minutes of the Committee meetings shall be sent to all Members for their comment and records within a reasonable time after the meetings.
- D.8 Members (deciding by majority) have the power to regulate and determine the proceedings of their Committee meeting, including – without limitation – the power to accept short (or dispense with) notice of meeting, abridge any time period. A resolution in writing signed by all Members for the time being shall be as effective for all purposes as a resolution of the Members passed at a meeting duly convened, held and constituted.

E. Authority

- E.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and such employee will be directed to co-operate with any request made by the Committee.
- E.2 In discharging its duties, the Committee is authorized by the Board to obtain outside legal or other independent professional advice if it considers this necessary.

- E.3 Where the board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company shall include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

F. Duties

The duties of the Committee include the following:-

Relationship with the Company's auditor

- (a) To be primarily responsible for making recommendations 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 its 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 standards. The Committee should 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 should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) To act as the key representative body for overseeing the Company's relations with the external auditor.

Review of the Company's financial information

- (e) 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 Listing Rules and other legal requirements in relation to financial reporting;
- (f) Regarding (e) above:-
- (i) Members should liaise with the Board, senior management and the Company's staff responsible for the accounting and financial reporting function and the Committee must meet, at least twice a year, with the Company's auditor; and
 - (ii) The Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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 auditor;

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

- (g) 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;
- (h) To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- (i) 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;
- (j) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or others. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

Galaxy Entertainment Group Limited
Terms of Reference of Audit Committee

- (k) 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;
- (l) To review the Group's financial and accounting policies and practices;
- (m) To review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (n) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) To report to the Board on the matters set out in these duties of the Committee;
- (p) To consider other topics, as defined by the Board; and
- (q) The chairman of the Committee or in his absence, another Member or failing him, his duly appointed delegate, shall be available to answer questions at the annual general meeting.

G. Reporting procedures

- G.1 The Secretary will circulate the minutes of Committee meetings, reports of the Committee and other relevant information to the Board.
- G.2 The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

H. Miscellaneous

- H.1 These terms of reference shall be made available by including publication on the websites of Hong Kong Exchanges and Clearing Limited and the Company.

Galaxy Entertainment Group Limited
Terms of Reference of Audit Committee

Definitions:

“Board”	:	board of Directors
“Committee”	:	audit committee of the Company
“Company”	:	Galaxy Entertainment Group Limited
“Director(s)”	:	Director(s) of the Company
“Exchange”	:	The Stock Exchange of Hong Kong Limited
“Group”	:	Company and its subsidiaries
“Listing Rules”	:	Rules Governing the Listing of Securities on the Exchange
“Member(s)”	:	member(s) of the Committee
“Secretary”	:	secretary of the Committee