

**HONG KONG TELEVISION NETWORK LIMITED**  
**(the “Company”)**

**CHARTER**  
**OF**  
**AUDIT COMMITTEE**  
**(the “Committee”)**

**Purpose**

The purpose of the Committee is to act on behalf of the Board in providing oversight of the Company’s financial reporting (including interim review and annual audit), internal control, risk management and corporate governance processes.

**Composition of the Committee**

**Size.** The size of the Committee shall be determined by the board of directors of the Company (the “Board”), but must always have at least three members.

***Qualifications.***

- 1) Each Committee member shall meet the independence criteria of (A) the listing requirements of the Nasdaq Stock Market LLC (“NASDAQ”), as such requirements are interpreted by the Board in its business judgment and (B) Section 301 of the U.S. Sarbanes-Oxley Act of 2002 (“SOX”) and the rules and listing requirements promulgated thereunder by the U.S. Securities and Exchange Commission (“SEC”), including Rule 10A-3 of the U.S. Securities Exchange Act of 1934 (the “Exchange Act”). The Chairman of the Committee and at least a majority of Committee members shall meet the independence requirements under Rule 3.13 of the Rules Governing the Listing of Securities (“HK Rules”) on The Stock Exchange of Hong Kong Limited.
- 2) No Committee member shall have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the three years prior to the proposed appointment of such member to the Committee.
- 3) Each Committee member shall be able to read and understand fundamental financial statements, including a balance sheet, an income statement and a cash flow statement. Additionally, at least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in such member’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities, sufficient to meet the

criteria of a financial expert within the meaning of the HK Rules, Section 407 of the SOX and any rules promulgated thereunder by the SEC. The Board shall determine, in its business judgment, whether at least one member has such financial sophistication and satisfies the financial expert criteria of the HK Rules, Section 407 of the SOX and any rules promulgated thereunder by the SEC. The designation or identification of a person as having such financial sophistication or as a financial expert shall not

- (A) impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation or identification, or
  - (B) affect the duties, obligations or liability of any other member of the Committee or the Board.
- 4) Each Committee member shall receive as compensation from the Company only those forms of compensation as are not prohibited by the HK Rules, Section 301 of the SOX and the rules and listing requirements promulgated thereunder by the SEC and NASDAQ. Permitted compensation includes
  - (A) director's fees (which includes all forms of compensation paid to directors of the Company for service as a director or member of a committee of the Board), and/or
  - (B) fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company, provided that such compensation is not contingent in any way on continued service.

Additional director's fees may be paid to members of the Committee to compensate them for the significant time and effort they expend in performing their duties as members of the Committee.

***Appointment and Removal.*** The Board will appoint the members and the Chairman of the Committee. Committee members shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

## **Duties and Responsibilities**

The Committee is responsible for overseeing the accounting and financial reporting, internal control and risk management processes, as well as the audits of financial statements of the Company on behalf of the Board. Management is responsible for the preparation, presentation, and integrity of the financial statements and for the appropriateness of the accounting and reporting policies that are used by the Company. The external auditors are responsible for auditing the Company's annual financial statements and for reviewing the Company's interim financial statements.

The Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the external auditors (including resolution of disagreements between management and the external auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

The responsibilities of the Committee include:

### **External Audit**

- 1) Retain the External Auditors: The Committee shall
  - (A) recommend to the Board on the appointment, re-appointment and removal of the external auditors,
  - (B) approve the remuneration and terms of engagement of the external auditors, and
  - (C) any questions of its resignation or dismissal.

The Committee is to exercise this authority in a manner consistent with Sections 201, 202 and 301 of the SOX and the rules and listing requirements promulgated thereunder by the SEC and NASDAQ. The Committee may delegate the authority to grant any pre-approvals of non-audit engagements required by such sections to one or more members of the Committee as it designates, subject to the delegated member or members reporting any such pre-approvals to the Committee at its next scheduled meeting.

- 2) Review and Discuss the Independence of the External Auditors: In connection with the retention of the external auditors, the Committee will, at least annually, review and discuss the information provided by management and the external auditors relating to the independence of the audit firm, including, among other things, information related to the non-audit services provided and expected to be provided by the external auditors. The Committee is responsible for

- (A) ensuring that the external auditors submit at least annually to the Committee a formal written statement delineating all relationships between the external auditors and the Company consistent with all applicable independence standards, including Independence Standards Board Standard 1,
- (B) actively engaging in a dialogue with the external auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the external auditors, and
- (C) taking, or recommending that the Board take, appropriate action to oversee the independence of the external auditor.

In connection with the Committee's evaluation of the external auditors' independence, the Committee shall also take such steps as may be required by law with respect to the identification and regular rotation of the audit partners serving on the Company's audit engagement team.

- 3) Set Hiring Policies: The Committee is to set hiring policies for employees or former employees of the external auditors, which include the restrictions set forth in Section 206 of the SOX and any rules promulgated thereunder by the SEC.
- 4) Review and Discuss the Audit Plan: The Committee is to review and discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences.
- 5) Review and Discuss Conduct of the Audit: The Committee is to review and discuss with the external auditors the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, as well as any audit problems or difficulties and management's response, including
  - (A) any restriction on audit scope or on access to requested information,
  - (B) any disagreements with management, and
  - (C) significant issues discussed with the external auditors' national office.

The Committee is to decide all unresolved disagreements between management and the external auditors regarding financial reporting.

- 6) Review and Discuss the Recommendations of External Auditors: The Committee is to review and discuss with the senior internal auditing executive and the appropriate members of the staff of the internal auditing department recommendations made by the external auditors and the senior internal

auditing executive, as well as such other matters, if any, as such persons or other officers of the Company may desire to bring to the attention of the Committee.

- 7) Review and Discuss the Audit Results: The Committee is to review and discuss with the external auditors
- (A) the report of their annual audit, or proposed report of their annual audit,
  - (B) the accompanying management letter, if any,
  - (C) the reports of their reviews of the interim financial statements conducted in accordance with Statement on Auditing Standards No. 100 and all other applicable rules and standards, if any, and
  - (D) the reports of the results of such other examinations outside of the course of the external auditors' normal audit procedures that the external auditors may from time to time undertake.

The foregoing discussions shall include the reports required by the HK Rules, Section 204 of the SOX and any rules promulgated thereunder by the SEC, as appropriate, and shall include a review of

- (A) major issues regarding (i) accounting principles and financial statement presentation, including any significant changes in the selection or application of accounting principles, and (ii) the adequacy of the internal controls and any special audit steps adopted in light of material control deficiencies;
  - (B) analyses prepared by management and/or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements;
  - (C) going concern assumptions and any qualification; and
  - (D) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- 8) Obtain Assurances from External Auditors: The Committee is to obtain assurance from the external auditors that in the course of conducting the audit, there have been no acts detected or that have otherwise come to the attention of the audit firm that require disclosure to the Committee under all applicable rules, including Section 10A(b) of the Exchange Act.

## **Financial Statements & Disclosures**

- 9) Review and Discuss Financial Statements and Disclosures: The Committee is to review and discuss with appropriate officers of the Company and the external auditors the annual audited financial statements of the Company, including
  - (A) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations", and
  - (B) the disclosures regarding internal controls and other matters required by Sections 302 and 404 of the Sarbanes-Oxley Act of 2002 and any rules promulgated thereunder by the SEC.
- 10) Approve Related Party Transactions: The Committee is to approve all related party transactions that are required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC and all other applicable rules.
- 11) Discuss with General Counsel Matters Regarding Financial Statements or Compliance Policies: The Committee should discuss with the Company's General Counsel of legal matters that may have a material impact on the financial statements or the compliance policies.

## **Internal Audit**

- 12) Review and Discuss Internal Audit Plans: The Committee is to review and discuss with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the plans for and the scope of their ongoing audit activities.
- 13) Review and Discuss Internal Audit Reports: The Committee is to review and discuss with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the quarterly report of the audit activities, examinations and results thereof of the internal auditing department.
- 14) Review and Discuss the Systems of Internal Accounting Controls: The Committee is to review and discuss with the external auditors, the senior internal auditing executive, the General Counsel and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staffs, the adequacy of the internal accounting controls; the financial, auditing and accounting organisations and personnel, and the policies and compliance procedures with respect to business practices. Such discussions shall include

- (A) the disclosures regarding internal controls and other matters required by Sections 302 and 404 of the SOX and any rules promulgated thereunder by the SEC, and
- (B) a review with the external auditors of their opinion on the effectiveness of management's assessment of internal controls over financial reporting and the external auditor's analysis of matters requiring modification to management's certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

## **Risk Management & Corporate Governance**

- 15) Discuss Risk Management Policies: The Committee is to monitor the effectiveness of the Company's risk management processes. The Committee should discuss major financial, strategic, operating, and compliance risks and the steps management has taken to monitor and mitigate these exposures that are consistent with the Company's risk appetite.
- 16) Obtain Reports Regarding Conformity With Legal Requirements and the Company's Code of Conduct: The Committee is to periodically obtain reports from management, the Company's senior internal auditing executive and the external auditor that the Company and its subsidiaries are in conformity with applicable legal requirements and the Company's Code of Business Conduct and Ethics. The Committee is to review and discuss reports and disclosures of insider and affiliated party transactions. The Committee should advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Conduct and Ethics.
- 17) Establish Procedures for Complaints: The Committee is to establish procedures for
  - (A) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, ethical compliance, or auditing matters; and
  - (B) the confidential, anonymous submission by employees of the Company of concerns regarding financial reporting, internal control, ethical compliance, or other matters as required by the HK Rules, as applicable, Section 301 of the SOX and the rules and listing requirements promulgated thereunder by the SEC and the NASDAQ.

## **Reporting**

- 18) **Make Board Reports:** The Committee should report its activities regularly to the Board in such manner and at such times as the Committee and the Board deem appropriate, but in no event less than once a year. Such report should include a review of any issues that arise with respect to the quality or integrity of the financial statements, the compliance with legal or regulatory requirements, the performance and independence of the external auditors or the performance of the internal audit function.

## **Other Responsibilities**

- 19) **Review and Discuss Other Matters:** The Committee should review and discuss such other matters that relate to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.
- 20) **Maintain Flexibility:** The Committee, in carrying out its responsibilities, policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate “tone” for quality financial reporting, sound business risk practices and ethical behavior.

## **Meetings of the Committee**

The Committee shall meet in person or telephonically at least twice a year, or more frequently as it may determine necessary, to comply with its responsibilities as set forth herein. The Chairman of the Committee shall, in consultation with the other members of the Committee, the external auditors and the appropriate officers of the Company, be responsible for calling meetings of the Committee, establishing agenda therefor and supervising the conduct thereof. At least half of the number of Committee members will constitute a quorum for conducting business at a meeting of the Committee. The act of a majority of Committee members present at a Committee meeting at which a quorum is in attendance will be the act of the Committee, unless a greater number is required by law or the Company’s Articles of Association.

The Committee may request any officer or employee of the Company or the outside legal counsel or external auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee may meet with the management, the internal auditors and the external auditors periodically in separate private sessions to discuss any matter that the Committee, management, the external auditors or such other persons believe should be discussed privately.



Minutes of each meeting of the Committee shall be prepared and kept by the secretary of the Committee.

### **Resources and Authority of the Committee**

The Committee shall have the resources and authority appropriate to discharge its responsibilities as required by law, including the authority to engage external counsel and other advisors as the Committee deems necessary to carry out its duties. The Committee may also, to the extent it deems necessary or appropriate, meet with the investment bankers or financial analysts who follow the Company.

The Company will provide for appropriate funding, as determined by the Committee, for payment of (a) compensation to the external auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company, (b) compensation to external counsel or any other advisors employed by the Committee and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### **Annual Committee Report**

The Committee, with the assistance of management, the external auditors and outside legal counsel, shall, if requested by the Board, prepare a report for inclusion in the annual report.

### **Annual Review of Charter**

The Committee will conduct and review with the Board annually an evaluation of the adequacy of this Charter and recommend any changes to the Board. The Committee may conduct this charter evaluation in such manner as the Committee, in its business judgment, deems appropriate.

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