

Summary of Minutes of the Audit Committee Meeting of Hong Kong Internet Registration Corporation Limited and Hong Kong Domain Name Registration Company Limited held on Monday 24 October 2011

1. 2011 internal audit report: Auditors from PricewaterhouseCoopers presented their draft internal audit report to the Committee. No high risk items were identified by the auditors. The audit covered different aspects of operations, finance and human resources of the company. Many of the recommendations had to do with improving the documentation of procedures and process of operations. Management has reviewed the findings and recommendations and did not have disagreement. The Committee requested the auditors to ascertain whether PricewaterhouseCoopers has information on what other ccTLD registries have adopted in terms of risk management and control. The Committee endorsed the report for adoption by the Board of HKIRC and HKDNR. The Committee also expressed appreciation for the professional work of PricewaterhouseCoopers.
2. Revised HKIRC-HKDNR cost allocation ratios: As instructed by the Committee, Management has conducted a quarterly review of the cost allocation ratios for HKIRC and HKDNR in October. After the Registry/Registrar model (R/R model) was launched on 18 July 2011, there has been a gradual and small shift of workload from HKDNR to HKIRC, as the number of external registrars increases over time. As a result, the proportion of costs to be allocated to HKIRC will be increased slightly for the period November 2011 to January 2012. The Committee endorsed the revised cost allocation ratios for adoption by the Board/Exco of HKIRC and HKDNR.
3. Quarterly performance of HKIRC for the quarters of Q2 and Q3 2011: It was reported that the revenue contribution of HKIRC is very small compared with that of HKDNR as the R/R model has just been launched for a short time. External registrars who were service partners of HKDNR need some time to move their domain names to the registrar accounts. The Committee asked Management to continue monitoring the revenue trend and the performance of registrars.
4. 2011 security audit: The Committee noted that the security audit would be conducted after the relocation of the primary site of the Company.