



China Minsheng Drawin Technology Group Limited

中民築友科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Constitution

As resolved by the board of directors (the “Board”) of China Minsheng Drawin Technology Group Limited (the “Company”) on 29 September 1999, an audit committee (the “Audit Committee”) was approved to be established under the Board.

2. Membership

2.1 The Audit Committee shall consist of not less than three (3) members appointed by the Board from time to time. The majority of the Audit Committee members should be independent non-executive directors.

2.2 The Board should appoint one of the Audit Committee members as the chairman of the Audit Committee (the “Committee Chairman”), who must be an independent non-executive director. All the Audit Committee members, including the Committee Chairman, will hold office only so long as they serve as directors of the Company.

2.3 The company secretary of the Company shall act as the secretary of the Audit Committee (the “Secretary”).

3. Frequency and proceedings of meetings

3.1 The Audit Committee shall meet not less than twice a year. Additional meetings shall be convened as and when necessary.

3.2 The quorum for a meeting shall be two (2) members of the Audit Committee and one of them must be an independent non-executive director. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

- 3.3 The Audit Committee may invite any director and/or senior management and/or officer and/or any member of staff of the Company to attend meetings if appropriate. The Finance Director/Financial Controller and/or Head of Internal Audit (where an internal audit function exists) and the external auditors should normally be invited to attend.
- 3.4 The Audit Committee may also invite advisors or outsiders with relevant experience, including without limitation external professional advisors or consultants, to attend meetings to advise its members if necessary.
- 3.5 Meetings of the Audit Committee shall be summoned by the Secretary at the request of any member thereof. The external auditors should be allowed to request the Audit Committee for convening a meeting if they consider necessary.
- 3.6 Unless otherwise agreed, notice confirming the venue, date and time together with an agenda of items to be discussed in a meeting shall be forwarded to each member of the Audit Committee and any other person required to attend, at least two (2) business days prior to the date of the meeting.
- 3.7 The chairman of the Board shall have the right to attend and speak at meetings of the Audit Committee; other Board members shall also have the right of attendance or shall be able to speak by prior arrangement with the Committee Chairman. However, at least once a year the Audit Committee shall meet with the external auditors with no executive directors present.
- 3.8 The Secretary shall record the proceedings and resolutions of each Audit Committee meeting, including the names of those present and in attendance, and maintain full minutes of all Audit Committee meetings.
- 3.9 Minutes of Audit Committee meetings shall be circulated to all members of the Audit Committee and to all members of the Board.

4. Authority

- 4.1 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- 4.2 The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 4.3 The Audit Committee should be provided with sufficient resources to perform its duties.

5. Responsibility

- 5.1 The Audit Committee is to assist the Board in fulfilling its duties by providing an independent review and supervision of financial reporting, and by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the “Group”), and as to the adequacy of the external and internal audits.
- 5.2 The Audit Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- 5.3 The Audit Committee is to serve as a focal point for communication between the Company and the external auditors. Where the Board disagrees with the Audit Committee’s view on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee should include a statement in the Corporate Governance Report in the annual report of the Company for the relevant financial period explaining its recommendation and the reasons why the Board has taken a different view.

6. Duties

The duties of the Audit Committee are as follows:—

Relationship with the Company’s auditors

- (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 Audit 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 Audit 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 judgements contained them. In reviewing these reports before submission to the Board, the Audit 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and legal requirements in relation to financial reporting;
- (f) Regarding (e) above:—
 - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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 auditors;

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 and financial reporting function;

- (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) 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;
- (k) to review the Group's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) 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 Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to report to the Board on the matters in Code Provision C.3.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (or such amendments as the Stock Exchange may make to such code provision from time to time); and
- (p) to consider other topics, as defined by the Board.

The terms of reference of the Audit Committee was adopted on 29 September 1999, and amended by the Board on 8 July 2009, 27 March 2012 and 30 December 2015.

The English text of these terms of reference shall prevail over the Chinese text in case of discrepancies or inconsistencies.