



FOREBASE INTERNATIONAL HOLDINGS LIMITED

申基國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2310)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Constitution

1. The board of directors (the “Board”) of Forebase International Holdings Limited (the “Company”) hereby resolves to establish a committee of the Board to be known as the Audit Committee (the “Audit Committee”).

Membership

2. Members of the Audit Committee shall be appointed by the Board.
3. The Audit Committee shall consist of not less than three members. The majority of the members shall be independent non-executive directors.
4. At least one of the members shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
5. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee within a period of at least one year from the date of his ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.
6. Chairman of the Audit Committee shall be appointed by the Board and should be an independent non-executive director.

Quorum and voting at meetings

7. The quorum of the Audit Committee shall be any two members. If only two members are in attendance, both members shall be independent non-executive directors. If more than two members are in attendance, a majority of the members shall be independent non-executive directors.
8. Questions arising at any meetings shall be decided by a simple majority of votes.

Attendance at meetings

9. Meetings could be held in person or through other electronic means of communication, by which all persons participating in the meeting are capable of hearing each other.

10. The Chief Financial Officer or in his absence, a representative from Finance Department shall attend the meetings. Other members of the Board or other persons may attend all or part of any meeting at the invitation of the Audit Committee.
11. At least twice a year, representatives of the Company's external auditors will meet the Audit Committee to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.
12. The company secretary of the Company or any other person with appropriate qualification and experience as appointed by the Audit Committee from time to time shall be the secretary of the Audit Committee.
13. Only members of the Audit Committee are entitled to vote at the meetings.

Frequency of the meetings

14. At least two meetings of Audit Committee will be held each year provided that any ad hoc meetings shall be convened as and when deemed necessary.

Notice of meetings

15. Meetings of the Audit Committee shall be convened by the secretary at the request of any of its members or at the request of the external or internal auditors.
16. Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be sent to each member of the Audit Committee, and to any other person required to attend:
 - (a) in relation to all regular meetings of the Audit Committee, at least 14 days before the date of the meeting; and
 - (b) in relation to all other meetings of the Audit Committee, within a reasonable time prior to the date of the meeting.
17. An agenda of items to be discussed, together with supporting papers shall be sent to Audit Committee members and to other attendees as appropriate within a reasonable time prior to the date of the meeting.
18. Any member of the Audit Committee shall be entitled, by notice to the secretary of the Audit Committee, to include other matters relevant to the functions of the Audit Committee in the agenda of an Audit Committee meeting.

Minutes of meetings

19. The secretary of the Audit Committee (or his/her delegate) in attendance at the meetings of the Audit Committee shall prepare minutes in sufficient detail of the proceedings and resolutions of all such meetings, including the names of those present and in attendance. The minutes should also include any concerns raised by any member of the Audit Committee and/or dissenting views expressed.
20. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and record such (if any) accordingly. Any member of the Audit Committee ascertained by the secretary to have any conflict of interest shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Audit Committee in which he/she and/or his/her associates has/have a material interest.

21. Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comments and records respectively, in both cases within a reasonable time after the meeting. Once they are agreed, the secretary of the Audit Committee shall circulate the minutes and reports of the Audit Committee to all members of the Board.
22. Minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee and shall be available for inspection by any member of the Audit Committee and/or any director of the Company at any reasonable time on reasonable notice.

Annual general meetings

23. The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Audit Committee's work and responsibilities.

Authority

24. 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 shall be directed to co-operate with any request made by the Audit Committee.
25. The Audit Committee is authorised by the Board to obtain, at the Company's expenses, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Audit Committee if it considers this necessary.

Duties

26. The duties of the Audit Committee include:
 - (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 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 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 in 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 Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) 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 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 auditors;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) 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 should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (h) 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;
- (i) 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;
- (j) to review the group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or system of control and management's response;

- (l) to ensure that the Board shall provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the code provision on corporate governance practices and corporate governance report;
- (n) to review arrangements employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relationship with the external auditor;
- (p) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- (q) to review the Company's statement on internal control system which one is included in the annual report prior to endorsement by the Board; and
- (r) to consider other topics, as defined by the Board.

Reporting procedures

27. The Audit Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the chairman of the Audit Committee shall report to the Board on findings and recommendations of the Audit Committee.

March 2013