

# **AMCO UNITED HOLDING LIMITED**

**萬泰控股有限公司\***

**(the “Company”)**

**(Stock Code : 630)**

## **TERMS OF REFERENCE OF AUDIT COMMITTEE (the “Committee”)**

### **Membership**

1. The Committee shall consist of not less than three members appointed by the board of directors of the Company (the “Board”), a majority of whom shall be Independent Non-executive Directors.
2. The chairman of the Committee shall be appointed by the Board and should be an Independent Non-executive Director.
3. The Company Secretary or his nominee shall act as the secretary of the Committee.

### **Frequency and proceedings of meetings**

4. The Committee should meet at least twice a year. Additional meetings should be held as the work of the Committee demands.
5. The chairman of the Committee may convene additional meetings at his discretion.
6. The quorum of a meeting shall be two members of the Committee.
7. Proceedings of meetings of the Committee shall be governed by Bye-law 121 of the Company’s Bye-laws.

### **Authority**

8. The Committee is granted the authority to investigate any activity of the Company and its subsidiaries (the “Group”) within its terms of reference and all employees of the Group are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
9. The 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.

*\* For identification purpose only*

10. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
11. The Committee should be provided with sufficient resources to perform its duties.

### **Responsibility**

12. The Committee is to serve as a focal point for communication between other directors, the management of the Company and the external auditor as regards their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.
13. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits

### **Duties, powers and functions**

14. The Committee shall:-

#### *Relationship with the auditors*

- (a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) 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) 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) act as the key representative body for overseeing the Company's relations with the external auditor;

*Review of financial information*

- (e) monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and review significant financial reporting judgements 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;
- (f) Regarding (e) above:-
  - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the 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 financial reporting system, risk management and internal control systems*

- (g) review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board, to review the Company's risk management and internal control systems;
- (h) 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) 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, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- (k) review the Group's financial and accounting policies and practices;
- (l) 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) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) report to the Board on the matters in the code provisions of the Corporate Governance Code under Appendix 14 to the Listing Rules; and
- (p) consider other topics, as defined by the Board.

### **Reporting Procedures**

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

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Hong Kong, 28 December 2015