

# **TAK SING ALLIANCE HOLDINGS LIMITED**

(the "Company")

## **AUDIT COMMITTEE**

(the "Committee")

### **TERMS OF REFERENCE**

(Adopted with effect from 1<sup>st</sup> September 2004, amended and restated on 26 March 2012)

#### 1. Members, chairman and secretary

1.1 The Committee shall be appointed by the Company's board of directors ("the Board") from amongst the non-executive directors of the Company and shall consist of not less than three members, at least one of whom is an independent non-executive director with appropriate qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

1.2 The majority of the Committee members shall be independent non-executive directors. The criteria for independence are set out in Rule 3.13 of the Listing Rules.

1.3 The chairman of the Committee shall be an independent non-executive director of the Company and appointed by the Board.

1.4 The company secretary of the Company shall be the secretary of the Committee.

#### 2. Frequency and proceedings of meetings

2.1 Meetings shall be held not less than twice a year to review and discuss the interim and annual financial statements respectively. Additional meetings may also be held by the Committee from time to time to discuss special projects or other issues which the Committee considers necessary.

2.2 Unless agreed by all the members of the Committee, the notice period for convening a Committee meeting shall not be less than two clear days (including non-working days).

2.3 Any of the Committee members can convene a meeting by giving to the Committee secretary a notice. Upon receipt of such notice, the Committee secretary shall notify all other Committee members about the meeting. Any Committee member can also convene a Committee meeting by giving a notice directly to all other Committee members.

2.4 Notices referred to above may be given in writing (by letter, facsimile, cable or telex) or orally.

- 2.5 The Committee member or the Committee secretary convening a meeting shall provide to other Committee members and the Committee secretary information about the purposes of the meeting, the time, venue and agenda of the meeting and shall supply to each of them all relevant documents of the meeting and such documents shall be despatched together with the agenda of the meeting.
- 2.6 Management of the Company has an obligation to supply the Committee with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable.
- 2.7 The quorum of a meeting shall be two members (excluding the Committee secretary) and the quorum shall be present at the commencement of and throughout the meeting.
- 2.8 Committee members may participate in a meeting of the Committee by means of a conference telephone or similar communications equipment whereby all persons participating in a meeting through such media can clearly hear and understand each other and all persons participating in any meeting pursuant to this provision shall be deemed to be present in person at such meeting.
- 2.9 If within thirty minutes from the time appointed for a meeting, a quorum is not present, upon agreement by the majority members who are present, the meeting shall stand adjourned. The Committee secretary or any Committee member can issue the notice for the adjourned meeting. If within ten minutes from the time appointed for the adjourned meeting, a quorum is not present, the Committee members present shall duly constitute a quorum and shall be entitled to exercise all the powers conferred upon the Committee.
- 2.10 The chairman of the Committee shall preside as the chairman of a meeting. If within fifteen minutes from the time appointed for the meeting, the chairman of the Committee is not present, other members present shall choose someone from their number to be the chairman of the meeting.
- 2.11 Each Committee member present in a meeting shall have one vote. All resolutions passed in the meeting shall be by majority votes. If the votes for and against a resolution are equal, the chairman of the meeting shall have a casting vote.
- 2.12 The Committee secretary shall attend all meetings of the Committee and shall keep record of all minutes of such meetings which shall be open for inspection at any reasonable time on reasonable notice by any director of the Company. The minutes shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes of the Committee meetings shall be sent to all members of the Committee and to the Board for their comment and records respectively, within a reasonable time after such meeting.

2.13 The Committee may invite the executive directors of the Company or its subsidiaries (the “Group”), senior management, external and internal auditors and/or other relevant person(s) to attend a Committee meeting.

3. Written resolutions

3.1 A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

4. Appointment of an alternate

4.1 No member of the Committee shall appoint any alternate.

5. Authority of the Committee

5.1 The Committee shall have the following powers:-

- (i) to request any executive directors, any employees, professional advisers (including the external auditors) of the Group to submit reports, attend meetings of the Committee and to answer questions raised in the meetings;
- (ii) to monitor whether, in the course of performing their duties, the managerial staff of the Group have breached any policies of the Board or any applicable laws and rules (including the Listing Rules, the Listing Agreement and the regulations formulated by the Board);
- (iii) to investigate all matters involving fraud and to request the managerial level to make investigations into such matters and to submit investigation reports to the Committee;
- (iv) to assess the internal control system of the Group;
- (v) to assess the performance of the Group's accountants and staff of internal audit department;
- (vi) to make proposal to the Board to consider improving the Group's internal control system;
- (vii) to engage other professional advisers to provide advice and assistance provided that approval is obtained from the Board on the costs and expenses of such engagement;
- (viii) to request the Board to determine the office of the financial staff or other staff of the Group if there is evidence to show or it is in doubt that such staff has failed to carry out his duties; and
- (ix) to request the Board to substitute or determine the office of the Company's external auditors.

5.2 The Committee shall be provided with sufficient resources to enable it to perform its functions, including the resources for seeking independent professional advice, at the Company's expense.

6. Duties of the Committee

The duties of the Committee are as follows:

*Relationship with the Company's auditors*

- 6.1 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;
- 6.2 to 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;
- 6.3 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

*Review of the Company's financial information*

- 6.4 to monitor integrity of the Company's financial statements and annual report and accounts and half-year report, and to 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 judgemental 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;

6.5 Regarding 6.4 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 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;

*Oversight of the Company's financial reporting system and internal control procedures*

- 6.6 to review the Company's financial controls, internal control and risk management systems;
- 6.7 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;
- 6.8 to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 6.9 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;
- 6.10 to review the Group's financial and accounting policies and practices;
- 6.11 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;
- 6.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.13 to report to the Board on the matters in code provision C.3.3 of Appendix 14 of the Listing Rules and on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements); and
- 6.14 to consider other topics, as defined by the Board.

6.15 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

6.16 The Committee should also be required to:-

- (a) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (b) to act as the key representative body for overseeing the Company's relations with the external auditor.

## 7. Annual general meeting

7.1 The chairman of the Committee, or in his absence, another member of the 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 meeting in relation to the work and responsibilities of the Committee.