



萬隆 控股集團有限公司

Ban Loong Holdings Limited

(“Company”)

## **Terms of Reference for Audit Committee**

*(Approved and Adopted by the Board on 29 March 2012 and revised by the Board on 30 June 2016)*

### **1. Constitution**

- 1.1 The board of directors of the Company (the “Board”) has resolved to establish a committee of the Board on 28 June 1999 to be known as the Audit Committee.

### **2. Membership**

- 2.1 The members of Audit Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent.
- 2.2 At least one of the Audit Committee members shall be an independent non-executive director with appropriate professional 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”).
- 2.3 The Chairman of the Audit Committee shall be appointed by the Board and should be an independent non-executive director.

2.4 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of its Audit Committee for a period of 1 year from the date of his ceasing:-

- (a) to be a partner of the auditing firm; or
- (b) to have any financial interest in the auditing firm,

whichever is later.

### **3. Attendance at meetings**

3.1 An executive director and a representative of the external auditors shall normally attend meetings.

3.2 At the discretion of the Audit Committee, others (including other members of the Board, the internal auditor(s) and other managers) might be invited to attend meetings or parts of meeting.

3.3 The Company Secretary shall be the Secretary of the Audit Committee.

3.4 At least twice a year the Audit Committee shall meet with the external and internal auditors without executive Board members present.

### **4. Quorum**

4.1 The quorum necessary for the transaction of the business of the Audit Committee shall be two members (including alternate member(s) that may be appointed pursuant to Clause 4.2) of the Audit Committee. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all of any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

4.2 Subject to Clause 2, if a regular member is unable to act due to absence, illness or any other cause, the Chairman of the Audit Committee may appoint another non-executive director of the Company to serve as an alternate member.

## **5. Frequency of meeting**

- 5.1 Meetings of the Audit Committee shall be held not less than twice a year.
- 5.2 The external auditor may have access to the Chairman or any other members of the Audit Committee as required in relation to any matter falling within the remit of the Audit Committee.

## **6. Notice of meeting**

- 6.1 Meetings shall be summoned by the Secretary of the Audit Committee at the request of the Chairman of the Audit Committee. An agenda and accompanying Audit Committee papers shall be circulated to all members (including alternate member(s) that may be appointed pursuant to Clause 4.2 above) in a timely manner and at least 3 days before the intended date of an Audit Committee meeting insofar as it is practicable. Such paper and related materials shall be in a form and quality as will enable the Audit Committee to make an informed decision on the matters placed before it.

## **7. Authority**

- 7.1 The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. Its work is advisory to the Board. It is authorized 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.
- 7.2 The Audit Committee will not be responsible for supervising the performance of executives (nor permitted to do so) and will not be required to become involved in day-to-day operations, management functions or decision-making.
- 7.3 The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice if it considers this necessary, after consultation with the Chairman of the Board, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

- 7.4 The Remuneration Committee should be provided with sufficient resources to perform its duties.

## **8. Duties**

- 8.1 The duties of the Audit Committee shall be :-

### ***Relationship with external auditor***

- (a) to be primarily responsible for making recommendations to the Board 4 (The English text of these terms or reference will prevail over the Chinese text in case of any inconsistency) 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;

***Review of the Company's financial information***

- (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 judgments 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 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***

- (f) to review the Company's financial controls, risk management and internal control systems;
- (g) to discuss the risk management and internal control systems 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 budge of the Company's accounting and financial reporting function;
- (h) 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;
- (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, accounting and risk management 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 systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in this code provision; and
- (n) to consider other topics, as defined by the Board.

8.2 The Audit Committee should also require it :-

- (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 Audit 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.

## **9. Reporting Procedures**

- 9.1 The members of the Audit Committee shall cause minutes to be made of all resolutions and proceedings of the Audit Committee including the names of all those present and in attendance at meetings of the Audit Committee. Minutes of the Audit Committee meetings shall record in sufficient detail matters considered by the Audit Committee members and dissenting views expressed.
- 9.2 Full minutes of Audit Committee meetings should be kept by the Company Secretary. Draft and final versions of minutes of the meetings should be sent to all Audit Committee members for their comment and records within a reasonable time after the meeting.
- 9.3 The Board should require such Audit Committee to report back to the Board on their decision 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).
- 9.4 The chair, in consultation the Secretary of the Audit Committee, should be primarily responsible for drawing up and approving the agenda of each Audit Committee meeting.

- 9.5 The chair, with the assistance of the Company Secretary shall ensure that all members shall have sufficient information in a timely manner to enable effective discussion at a Audit Committee meeting and be briefed of the issues arising at each Audit Committee meeting.
- 9.6 The Company Secretary shall record minutes of all duly constituted meetings of the Audit Committee. All minutes shall record in sufficient detail the matters considered, decisions reached or recommendations made and any concerns raised by any member, the external auditor including dissenting views of any member.