

**SINOFERT HOLDINGS LIMITED**  
**(“Company”)**  
**(Stock Code: 297)**

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

**Constitution**

1. An Audit Committee of Sinofert Holdings Limited was established together with its Terms of Reference first adopted pursuant to the resolutions of the Board of Directors of the Company (“Board”) passed on 31 March 1999. The Terms of Reference were subsequently revised to its current form pursuant to various resolutions of the Board and in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and its subsequent amendments from time to time. The reference to the “Group” hereinafter shall mean the Company and its subsidiaries.

**Membership**

2. The 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 must be independent non-executive directors. A quorum for meeting of the Committee shall be two members.
3. The chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.

**Attendance at meetings of the Committee**

4. The Chief Financial Officer, the staff responsible for the accounting and financial reporting function, the representatives of Risk Management Department and the Internal Audit Department, and a representative of the external auditor are expected to attend the meetings of the Committee. However, at least twice a year the Committee shall meet with the external auditor without the management and the executive Board members present.
5. The company secretary shall be the secretary of the Committee. In the absence of the company secretary in any meeting of the Committee, such other person elected by the Committee shall act as the secretary of the meeting of the Committee.

**Frequency of meetings**

6. Meetings shall be held not less than twice a year. The external auditors or any members of the Committee may request a meeting with or without the presence of

*December 2015*

executive directors if they consider that it is necessary.

### **Authority**

7. The 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 Committee.
8. The Committee is authorised by the Board, to obtain outside legal or other independent professional advice within reasonable costs as determined by the Board from time to time and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
9. The Committee is to be provided with sufficient resources to perform its duties.
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 a statement from the Committee explaining its recommendation and the reason(s) why the Board has taken a different view.

### **Duties**

11. The duties of the Committee shall include the following:

#### ***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 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 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 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 Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
  - (i) members of the Committee should liaise with the Board, senior management and staff responsible for the accounting and financial reporting function, 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 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 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;
- (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 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 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;

***Other duties***

- (m) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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;
- (n) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (o) to report to the Board on the above matters; and
- (p) to consider other topics, as defined by the Board.

**Reporting procedures**

12. The secretary shall circulate the minutes of meetings of the Committee to all members of the Committee. At the next meeting of the Board following a meeting of the Committee or as soon as practicable, the chairman of the Committee shall report the findings and recommendations of the Committee to the Board.

**Annual Review of the Terms of Reference**

13. The Terms of Reference should be reviewed annually.