



恒安國際集團有限公司*

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1044)

Terms of Reference of Audit Committee

(Amended and restated with effect from 1 April 2012)

Constitution

1. The Board has resolved the establishment of the Audit Committee (the “Committee”) on 19 March 1999.

Membership

2. The Committee member shall be appointed by the board of directors of the Company (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 with a minimum number of three Independent Non-executive Directors (the “INEDs”)(the “Member”).
3. The chairman of the Committee shall be an INED.
4. At least one INED must have appropriate professional qualifications or accounting or related financial management expertise.
5. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of 1 year from the date of his ceasing:
 - (i) to be a partner of the firm; or
 - (ii) to have any financial interest in the firm,
6. The Board shall from time to time vary the composition of the Committee as may be required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as modified from time to time (the “Listing Rules”), or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time.

Secretary

7. The Company Secretary should be the secretary of the Committee.

Authority

8. The Committee is authorized by the Board to investigate any activity within its terms of reference. 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 Committee.
9. The Committee is authorized to obtain external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if necessary.
10. The Committee shall be provided with sufficient resources to perform its duties.

Duties

11. The duties of the Committee shall be:

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 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed ; and
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor.

Review of the Company's financial information

- (e) 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 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;
- (f) Regarding (e) above:-
 - (i) Members 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 Company's financial reporting system and internal control procedures

- (g) to review the Company's financial controls, internal control and risk management systems;
- (h) 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;

- (i) 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;
- (j) 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;
- (k) to review the group's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the Company raised in the external auditor's management letter;
- (n) 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;
- (o) to act as the key representative body for overseeing the Company's relations with its external auditors
- (p) to report to the Board on the relevant matters set out in the Corporate Governance Code in Appendix 14 to the Listing Rules; and
- (q) to consider other topics, as defined by the Board.

Committee Meetings

Attendance at meetings

12. The Chief Financial Officer and a representative of the external auditors shall normally attend meetings. The Head of Internal Audit shall also attend the meeting if he has any significant findings to report to the Committee.

Frequency

13. The Committee shall meet at least twice a year. Additional meetings should be held if the Committee or the external auditors shall so request. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.

Notice

14. Notice of any meetings of the Committee has to be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.

Quorum

15. The quorum for decisions of the Committee should be any two Members, of whom at least one has to be INED.

Resolutions

16. Resolutions of the Committee shall be passed by a majority of votes which can also be passed by way of unanimous written resolutions. Meetings can be held in person, or through other electronic means of communication, e.g. by telephone or by video conference, etc.

Minutes

17. The secretary of the Committee should keep full minutes of all Committee meetings. Draft and final versions of minutes of meetings of the Committee should be sent to all Members for their comment and records within a reasonable time after the meeting.

Publication of the Terms of Reference

18. The terms of reference will be posted on the websites of the Stock Exchange of Hong Kong Limited and the Company, explaining the role of the Committee and the authority delegated to it by the Board.

** for identification purpose only*