



# MASTERMIND CAPITAL LIMITED

慧德投資有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 905)

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

(Version date: 28th March, 2012)

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### **1. Constitution**

The board of directors (the “Board”) of Mastermind Capital Limited (the “Company”) has established a Committee known as the Audit Committee (the “Committee”).

### **2. Membership**

2.1 Members of the Committee shall be appointed by the Board and shall consist of not less than three members from time to time, the majority of whom should be independent non-executive directors and at least one of whom with appropriate professional qualifications or accounting or related financial management expertise.

2.2 The chairman of the Committee (the “Chairman”) shall be appointed by the Board and should be an independent non-executive director.

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

3.1 Only members of the Committee have the right to attend Committee meetings. The management staff of the Company in charge of finance and accounting functions and representative(s) of the external auditors shall normally attend Committee meetings. Other Board members, executives of the Company and its subsidiaries (the “Group”), representative(s) of the investment manager and external advisors may be invited to attend for all or part of any meetings, as and when appropriate.

3.2 The Committee shall meet at least once a year with the external auditors without executive Board members present.

### **4. Secretary**

The company secretary of the Company shall be the secretary of the Committee (the “Secretary”). In the absence of the Secretary in any meetings of the Committee, a member of the Committee or a representative of the Secretary shall act as the secretary of the meeting of the Committee.

\* For identification purpose only

## **5. Quorum**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **6. Frequency and procedures of Meetings**

6.1 Meetings shall be held at least twice a year. The external auditors or any members of the Committee may request a meeting with or without the presence of executive directors if they consider that one is necessary. The members may adopt from time to time the procedure governing the convening of the Committee meetings, the means and procedure for the passing of resolutions at meetings of the Committee.

6.2 The Chairman, in consultation with the Secretary of the Committee, should be primarily responsible for drawing up and approving the agenda for each Committee meeting. The Chairman, with the assistance of the Secretary, shall ensure that all members shall have sufficient information in a timely manner to enable effective discussion at a Committee meeting and be briefed on the issues arising at each Committee meeting.

6.3 The meetings and proceedings of the Committee are governed by the provisions of the Articles of Association of the Company for regulating the meetings and proceedings of the Board so far as the same are applicable.

## **7. Minutes of Meetings**

The Secretary shall record minutes of all duly constituted meetings of the Committee. The Secretary shall circulate the draft and final versions of the minutes of meetings and reports of the Committee to all members for comments and records within a reasonable time after each meeting.

## **8. Authority**

8.1 The Committee is authorised by the Board to investigate any activities within its terms of reference. It is also authorised by the Board to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.

8.2 The Committee is authorised by the Board at the expense of the Company, subject to prior discussion concerning the cost, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## 9. Duties

9.1 The duties of the Committee shall be: -

### A *Relationship with external auditor*

- (a) to be primarily responsible for making recommendation 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 resignation or dismissal of that auditor;
- (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; and
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entities that is under common control, ownership or management with the audit firm or any entities that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

### B *Review of financial information of the Company*

- (a) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, interim report and to review significant financial reporting judgments contained in them. In reviewing the interim and annual financial statements 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 qualifications;
  - v. compliance with accounting standards; and
  - vi. compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other legal requirements in relation to financial reporting.

- (b) In regard to B (a) above:-
  - i. members of the Committee must 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 such reports and accounts and must 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.

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

- (a) to review the Company's financial controls, internal controls and risk management systems;
- (b) to discuss with the management the internal control system and ensure that management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience of the Company's accounting and financial reporting function;
- (c) to consider any major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to those findings;
- (d) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (e) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of controls and management's response;
- (f) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (g) to review the Group's financial and accounting policies and practices;
- (h) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (i) to report to the Board on the matters in the Code Provisions in the Listing Rules;
- (j) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matter. 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

- (k) to consider other topics, as defined by the Board.

D *Oversight of the Company's Corporate Governance Matters*

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to consider other topics, as defined by the Board.

9.2 The Chairman or another member of the Committee shall be available to answer questions at the annual general meeting of the Company.

**10. Reporting Responsibilities**

- 10.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities; and
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.