



BIRMINGHAM INTERNATIONAL HOLDINGS LIMITED

伯明翰環球控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

TERMS OF REFERENCE FOR AUDIT COMMITTEE

1. CONSTITUTION

- The board of directors (the “**Board**”) of Birmingham International Holdings Limited (the “**Company**”) has established the Audit Committee on 26 July 2007 and approved its terms of reference.

2. MEMBERSHIP

- The Audit Committee shall be appointed by the Board from Independent Non-Executive Directors of the Company and shall consist of not less than three members, all members should be independent.
- 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**”).
- A former partner of the Company’s existing external auditor shall be prohibited from acting as a member of the Audit Committee for a period of 1 year commencing on 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 the later.
- The Chairman of the Audit Committee shall be appointed by the Board and should be an Independent Non-Executive Director.
- Appointment to the Audit Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent.

3. SECRETARY

- The Company Secretary shall be the secretary of the Audit Committee.

4. ATTENDANCE AT MEETINGS

- Members of the Audit Committee may attend meetings of the Audit Committee either in person by telephone or through other electronic means of communication or in such other manner as the members may agree.
- The Chairman and a representative of the external auditors shall normally attend meetings.
- 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 meetings.
- At least twice a year the Audit Committee shall meet with the external and internal auditors without executive Board members present.

5. QUORUM

- 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 or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.
- 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.

6. FREQUENCY OF MEETINGS

- Meetings shall be held not less than 2 times a year. The external auditors may request a meeting if they consider that one is necessary.
- The external auditor may have access to the Chairman or any other member of the Audit Committee as required in relation to any matter falling within the remit of the Audit Committee.

7. NOTICE OF MEETINGS

- Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee and any other person required to attend, with reasonable notice, before the date of the meeting. Supporting papers shall be sent to Audit Committee members and to other attendees as appropriate, at the same time.

8. AUTHORITY

- 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.
- 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.
- 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.

9. DUTIES

The duties of the Audit Committee shall be:

9.1 Relationship with external auditor

- 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 the terms of engagement of the external auditor; and any questions of its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- to develop and implement policy on 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; and
- to act as the key representative body for overseeing the Company's relations with the external auditor.

9.2 Review of the Company's financial information

- to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgments contained in them. In reviewing these report before submission to the board, the Audit Committee should focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) the going concern assumption and any qualifications;
 - (e) compliance with accounting standards, and
 - (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting.
- Regarding (d) above:
 - (a) members of the Audit Committee should liaise with the Board, senior management and Financial Controllers and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
 - (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, it should give due consideration to any matters that have been raised by the Financial Controllers, Company Secretary or auditors;

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

- to review the Company's financial controls, internal control and risk management systems;
- to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system;
- 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;
- 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;
- to review the group's financial and accounting policies and practices;
- 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;
- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- to report to the Board on the matters set out in paragraph C.3.3 of the Code on Corporate Governance in Appendix 14 of the Listing Rules (as amended from time to time); and
- to review and discuss the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- to monitor the compliance of the Whistle-blowing policy, and ensuring the fair and independent investigation and appropriate follow-up of such matters:
 - (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, financial reporting, internal control, auditing or other matters; and
 - (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, financial reporting, internal control, auditing or other matters.

- (c) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

10. REPORTING PROCEDURES

- 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.
- Full minutes of Audit Committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Audit Committee meetings should be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.
- 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).
- The chair, in consultation with the Group Financial Controller and the secretary of the Audit Committee, should be primarily responsible for drawing up and approving the agenda of each Audit Committee meeting.
- The chair, with the assistance of the Group Financial Controller 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.
- The 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.

11. DATE OF ADOPTION

- These revised terms of reference was approved and adopted by the Board on 30 March 2012.

The Rules Governing the Listing of Securities on the Stock Exchange require that the audit committee of a listed issuer shall consist of not less than three members. With the resignation of Mr. Chang Kin Man (“Mr. Chang”) on 31 May 2011, the Company now has two members of the Audit Committee and is identifying a suitable candidate to fill the vacancy as soon as possible. Further announcements will be made as and when appropriate.

On 31 May 2011, Mr. Chang has resigned as Independent Non-Executive Director, including the Chairman of the Audit Committee. Mr. Yau Yan Ming, Raymond, present Independent Non-Executive Director, has appointed as the Chairman of the Audit Committee accordingly.

This document has been translated into Chinese. In case of discrepancies between the English version and the Chinese version, the English version shall prevail.