



ENM HOLDINGS LIMITED

安寧控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 128)

TERMS OF REFERENCE

OF

AUDIT COMMITTEE (THE “COMMITTEE”)

(Adopted by the Board on 15 April 2005 and last amended on 29 March 2012)

Membership

1. 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, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the committee members shall be independent non-executive directors. A quorum shall be two members.
2. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.

Attendance at meetings

3. The Finance Directors, the Head of Internal Audit (where an internal audit function exists) and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external auditors and the internal auditors (where an internal audit function exists) without executive Board members being present.
4. The company secretary shall be the secretary of the Committee.

Frequency of meetings

5. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

6. The Committee is authorised by the Board to investigate any activity within its term 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.
7. The Committee is authorised by the Board 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.
8. 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 an explanation of the Committee's view and the reasons why the Board has taken a different view.
9. The Committee is to be provided with sufficient resources to discharge its duties.

Duties

10. The duties of the Committee shall be:

(A) Relationship with auditors

- (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 standard. 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 the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity 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;
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

(B) Review of financial information

- (a) to monitor integrity of financial statements of the Company and the Company's 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 this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly 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 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 (a) above:
- (i) members of the Committee must liaise with the Company's 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 Financial Reporting System and Internal Control Procedures

- (a) to review the Company's financial controls, internal control and risk management systems;
- (b) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

- (c) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (d) where an internal audit functions 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 the effectiveness of the internal audit function;
- (e) to review the group's financial and accounting policies and practices;
- (f) 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 control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters in the Code Provisions set out in the Corporate Governance Code and Corporate Governance Report (Appendix 14 of the Listing Rules);
- (i) 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; and
- (j) to consider other topics, as defined by the Board.

Reporting procedures

11. The Committee shall report to the Board on a regular basis. At the next Board meeting following a meeting of the Committee, the Chairman of the Committee shall report the findings and recommendations of the Committee to the Board.