



AUDIT COMMITTEE TERMS OF REFERENCE

*(adopted by a resolution of the board of directors of the Company on 2 June 2005)
(revised on 22 April 2009 and 12 March 2012)*

The board of directors (the “Board”) of 21 Holdings Limited (the “Company”) has resolved to establish an audit committee (the “Audit Committee”) pursuant to Rule 3.21 of and Code on Corporate Governance Practices (to be renamed as “Corporate Governance Code and Corporate Governance Report”), Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

1 Membership

- 1.1 Members of the Audit Committee (the “Members”) shall be appointed by the Board and are confined to non-executive directors only.
- 1.2 The Audit Committee 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 Members shall be independent non-executive directors of the Company.
- 1.3 Chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive director.
- 1.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one (1) year from the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

2 Secretary

- 2.1 The company secretary of the Company or any other person with appropriate qualification and experience as appointed by the Audit Committee from time to time shall be the secretary of the Audit Committee.

3 Meetings

- 3.1 The Audit Committee shall meet at least twice a year.
- 3.2 Quorum for the meetings of the Audit Committee shall be two Members.
- 3.3 Meetings could be held in person or through other electronic means of communication, by which all persons participating in the meeting are capable of hearing each other.

** for identification purpose only*

- 3.4 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.
- 3.5 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- 3.6 Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes of the meetings shall be circulated to all Members for their comment and records, within a reasonable time after the meeting. Such minutes shall be open for Members' inspection.
- 3.7 At the invitation of the Audit Committee, directors, external advisers and other persons may attend all or part of any meetings. However, only the Members are entitled to vote at the meetings.

4 Authority

- 4.1 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purpose of discharging its duties.
- 4.2 The Audit Committee is authorised by the Board to have access to independent professional advice, at the Company's expense, if necessary.
- 4.3 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Audit Committee's view and the reason(s) for taking a different view from the Board.
- 4.4 The Audit Committee shall be provided with sufficient resources to perform its duties.

5 Responsibility and Duty

Relationship with the Company's auditors

- 5.1 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.

- 5.2 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 shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.
- 5.3 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 Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

Review of the Company's financial information

- 5.4 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 Audit Committee shall focus particularly on:-
- (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting.
- 5.5 Regarding 5.4 above:-
- (a) Members of the Audit Committee shall liaise with the Board and senior management and the Audit Committee must meet at least twice a year, with the Company's auditors; and
 - (b) The Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall 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

- 5.6 To review the Company's financial controls, internal control and risk management systems.
- 5.7 To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. The discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- 5.8 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.
- 5.9 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.
- 5.10 To review the group's financial and accounting policies and practices.
- 5.11 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.
- 5.12 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- 5.13 To report to the Board on the matters set out in the Corporate Governance Code and Corporate Governance Report, Appendix 14 to the Listing Rules.
- 5.14 To review arrangements employees of the Company through which can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 5.15 To act as the key representing body for overseeing the Company's relations with the external auditor.
- 5.16 To consider other topics, as defined by the Board.

Others

- 5.17 The chairman of the Audit Committee or in his absence, another Member or failing this his duly appointed delegate, shall be available to answer questions at the annual general meeting of the Company.

6 Reporting Procedures

- 6.1 The Audit Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the chairman of the Audit Committee shall report to the Board on findings and recommendations of the Audit Committee.