

# MATRIX

## MATRIX HOLDINGS LIMITED

美力時集團有限公司\*

*(Incorporated in Bermuda with limited liability)*  
(the “Company”)

### Term of Reference for Audit Committee

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#### **Constitution**

The board of directors of the Company (the “Board”) hereby constituted and established the audit committee (“Audit Committee” or “Committee”), pursuant to the resolution passed in the board meeting with authority, responsibility, and specific duties as described below.

#### **Membership**

The Audit Committee shall be appointed by the Board amongst the non-executive directors only. The Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited 3.10(1), (2) and 3.21. The majority of the Audit Committee members must be INEDs. A quorum of the committee meeting shall be two.

The chairman of the Audit Committee shall be appointed by the Board and should be an INED.

A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of its audit committee for a period of 1 year from the date of his ceasing (a) to be a partner of the firm; or (b) to have financial interest in the firm whichever is later (LR Appendix 14. C3.2).

#### **Attendance at meetings**

As necessary or desirable, the Committee may invite the group accounting manager and a representative of the external auditors and/or such member of the executive management of the group as they shall deem appropriate to attend the Committee’s meetings. Other Board members shall also have the right of the attendance. However, at least twice a year the Committee shall meet with the external and internal auditors (the Committee may consider at least one meeting in the absence of the management).

The meetings and proceedings are governed by the provisions contained in the articles of association of the Company for regulating meetings and proceedings of directors.

Duly appointed secretary by the Committee from time to time (who should normally be the Company’s company secretary).

## **Frequency of meeting**

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

## **Authority**

The Committee is authorised by the Board to investigate any activity within its terms 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.

The Committee is authorised by the Board to seek outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **Duties**

The Committee shall report back to the Board in writing on their decisions or recommendations within a reasonable time after such decisions or recommendations are made, unless there is legal or regulatory restriction on the Committee to do so. The duties of the Committee shall be:

### **I. 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 (LR Appendix 14 C3.3(a)).
- (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 (LR Appendix 14 C.3.3 (b)).

*Note: The Audit Committee may wish to consider establishing the following procedure to review and monitor the independence of external auditors (LR Appendix 14 C3.3 note 1):*

- (i) consider all relationships between the Company and the audit firm (including non-audit services);*
- (ii) obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and*
- (iii) meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.*

*Note: The Audit Committee may wish to consider agreeing with the Board the Company's policies on hiring employees or former employees of the external auditors and monitoring the application of these policies. The Audit Committee should then be in a position to consider whether there has been or appears to be any impairment of the auditor's judgment or independence for the audit (LR Appendix 14 C3.3 note 2).*

*Note: The Audit Committee should ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the Audit Committee may wish to consider (LR Appendix 14 C3.3 note 3):-*

- (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;*
- (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;*
- (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total-relative to the audit firm; and*
- (iv) criteria for compensation of the individuals performing the audit.*

*Note: For further guidance, the Company may refer to the "Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence" issued by the Technical Committee of the International Organization of Securities Commissions in October 2002 and "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants in February 2002. The Company may also adopt the terms of reference in those guides, or any other comparable terms of reference for establishing an audit committee (LR Appendix 14 C3.3 note 4).*

- (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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed (LR Appendix 14 C.3.3 (c)).

## **II. Review of the Company's financial information:-**

- (a) 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 (LR Appendix 14 C3.3(d)):-
  - (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.

(b) Regarding (d) above (LR Appendix 14 C3.3(e)):-

- (i) members of the Committee 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.

**III. Oversight of the Company's financial reporting system and internal control procedures:-**

- (a) to review the Company's financial controls, internal control and risk management systems (LR Appendix 14 C3.3 (f));
- (b) 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 (LR Appendix 14 C3.3(g));
- (c) 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 (LR Appendix 14 C3.3 (h));
- (d) 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 (LR Appendix 14 C3.3 (i));
- (e) to review the group's financial and accounting policies and practices (LR Appendix 14 C3.3 (j))
- (f) 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 (LR Appendix 14 C3.3 (k));
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter (LR Appendix 14 C3.3 (l));
- (h) to report to the Board on the matters in the Code on Corporate Governance (LR Appendix 14 C3.3 (m));
- (i) to consider other topics, as defined by the Board (LR Appendix 14 C3.3 (n));
- (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 matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action (LR Appendix 14 C3.7(a));
- (k) to act as the key representative body for overseeing the Company's relations with the external auditor (LR Appendix 14 C3.7(b)).

## **Reporting procedure**

Full minutes of the Audit Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records within a reasonable time after the meeting (LR Appendix 14.C3.1).

Hong Kong, 30th March, 2012

*\*For identification purpose only*