



# AMAX INTERNATIONAL HOLDINGS LIMITED

## 奧瑪仕國際控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 959)**

**(“the Company”)**

### **Audit Committee – Terms of Reference**

#### **1. Membership**

- 1.1 The audit committee should be established by the board of the Company (“Board”), and it should comprise a minimum of three members.
- 1.2 The audit committee should comprise non-executive directors only. The majority of the audit committee members must be independent non-executive directors of the Company, and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise under the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited.
- 1.3 The audit committee must be chaired by an independent non-executive director and appointed by the Board. In the absence of the audit committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 If the audit committee comprise a non-executive director, a former partner of the issuer’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 any financial interest in the firm, whichever is later.
- 1.5 The terms of appointment of audit committee members are determined by the Board at the appointment date.

#### **2. Secretary**

- 2.1 The company secretary of the Company shall act as the secretary of the audit committee.

#### **3. Meeting**

- 3.1 The audit committee should meet at least three times a year. The external auditors of the Company can call for a meeting if necessary. Additional meetings should be held as the work of the audit committee demands.
- 3.2 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, any other person required to attend, no later than three (3) working days 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.
- 3.3 The quorum necessary for the transaction of business of the audit committee shall be two members of the audit committee, one of whom must be an independent non-executive director.

- 3.4 The Chairman of the Audit Committee shall act as chairman of a meeting. In the absence of the Chairman of the Audit Committee, the remaining Members present shall elect one of themselves who is an INED to chair the meeting.
- 3.5 Meeting can be attended in person or via electronic means including telephonic or video conferencing. The members of the audit committee can attend the meeting via telephonic or any similar communication device (all persons attending such meeting should be able to hear from such member via such communication device).
- 3.6 The resolution of the audit committee should be passed by more than half of the members.
- 3.7 The resolution passed and signed by all members is valid, and the validity is same as any resolution passed in the meeting held.
- 3.8 Full minutes of audit committee meeting should be kept by a duly appointed secretary of the audit committee. Draft and final versions of minutes of the meeting should be sent to all committee members for their comment and records, within a reasonable time after the meeting.

#### **4. Meeting attendance**

- 4.1 Upon the invitation from the audit committee, the following persons can attend the meeting:  
(i) Head of internal audit department or (if absent) the representative from internal audit department; (ii) Chief Financial Officer (or equivalent); (iii) the other Board members; (iv) Chief Executive; (v) the heads of risk and compliance; and (vi) representative(s) of the external auditor or other external advisers.
- 4.2 Only the member of audit committee can vote in the meeting.

#### **5. Annual General Meeting**

- 5.1 The chairman of an audit committee or (if absent) the other member of an audit committee (must be an independent non-executive director) should attend the annual general meeting of the Company, handled the shareholders' enquiry on the activities and responsibilities related to the audit committee.

#### **6. Duties, Powers and Functions**

The responsibility of the Audit Committee is to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting, risk management and internal control systems and to assist the Board with any other responsibilities as may be delegated by the Board from time to time. The audit committee's duties, powers and functions should include:

##### **6.1 Relationship with the Company's external auditors**

- 6.1.1 to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any question of its resignation or dismissal;
- 6.1.2 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 should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

- 6.1.3 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; and
- 6.1.4 the audit committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.
- 6.1.5 to act as key representative body for overseeing the Company’s relations with the external auditors.

## 6.2 Review of the Company’s financial information

- 6.2.1 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:
  - (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, legal requirements and any applicable rules in relation to financial reporting; and

### 6.2.2 Regarding 6.2.1 above:

- (a) 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
- (b) the audit 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.

## 6.3 Oversight of the Company’s financial reporting, risk management and internal control systems

- 6.3.1 to review the Company’s financial controls, risk management and internal control systems;
- 6.3.2 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective internal control system. The discussion should include:
  - (a) the adequacy of resources, staff qualifications and experience, training programs and budget of the Company’s accounting, internal audit and financial reporting functions;
  - (b) the changes in the nature and extent of significant risks, and the ability of the Company to respond to changes in its business and the external environment;
  - (c) the scope and quality of management’s ongoing monitoring of risks and of the internal control systems and the work of its internal control function;
  - (d) the extent and frequency of communication of monitoring results to the Board which

enables it to assess control of the Company and the effectiveness of risk management;  
and

- (e) significant control failings or weaknesses that have been identified. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the financial performance or condition of the Company;
- 6.3.3 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 6.3.4 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;
- 6.3.5 to review the group's financial and accounting policies and practices;
- 6.3.6 to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- 6.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.3.8 to report to the Board on the matters in the code provision under Appendix 14 of the Listing Rules;
- 6.3.9 to consider other topics, as defined by the Board;
- 6.4 Where the Board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the Board has taken a different view;
- 6.5 The audit committee should be provided with sufficient resources to perform its duties;
- 6.6 The audit committee should review arrangements that 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; and
- 6.7 Performing the Company's corporate governance functions:
  - 6.7.1 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
  - 6.7.2 to review and monitor the training and continuous professional development of Directors and senior management of the Company;
  - 6.7.3 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  - 6.7.4 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
  - 6.7.5 review the Company's compliance with the code and disclosure in the Corporate

## Governance Report of the Company.

### **7. Responsibility**

- 7.1 The audit committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 7.2 The audit committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.3 The audit committee shall compile a report on its activities for the Board to consider in the context of preparing the Company's annual report.
- 7.4 The audit committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the board determines from time to time.
- 7.5 The audit committee is to assist the board in fulfilling its responsibilities through the review and supervision of the Company's financial reporting, risk management and internal control systems, and by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the "group"), and as to the adequacy of the external and internal audits.

### **8. Authority**

- 8.1 The Board should delegate to the audit committee to inspect all accounts, reports and records of the Company in order to perform its duties;
- 8.2 In order to fulfill its duties, the audit committee is eligible to request the management of the Company to provide any figures related to the financial status of the Company, its subsidiaries and associates.
- 8.3 The audit committee member should have access to independent professional advice in the expense of the Company if necessary, in order to fulfill his responsibility of being the audit committee member.

*Remark: "senior management" refers to the same persons referred to in the Company's annual report. It is the responsibility of the directors of the Company to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries; heads of divisions, departments or other operating units within the group as, in the opinion of the Company's directors, is appropriate.*

*Remark: the independent professional advice can be sought via the financial controller or the company secretary.*

(Adopted by a board meeting dated 28 March 2012 and revised on 13 May 2016)

*Note: This version of Audit Committee – Terms of Reference of Amax International Holdings Limited is prepared in Chinese and English. In the event that there is any discrepancy or inconsistency between the two versions, the English version shall prevail. The Chinese version is not formally adopted by the Board of Amax International Holdings Limited and does not have any legal effect.*