



(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 985)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. MEMBERSHIP

- 1.1 The Audit Committee (the “Committee”) is established by the Board of Directors (the “Board”) of CST Group Limited (the “Company”).
- 1.2 The Company and its subsidiaries are together referred to as “the Group” in this Terms of Reference.
- 1.3 The Committee shall comprise non-executive directors of the Company only and shall comprise a minimum of three members (the “Member(s)”), at least one of whom is an independent non-executive director of the Company 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”).
- 1.4 The majority of the Committee members must be independent non-executive directors of the Company.
- 1.5 The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.
- 1.6 All Members shall be appointed by the Board provided that a former partner of the Company’s auditing firm from time to time should be prohibited from acting as a Member for a period of two years from the date of the person ceasing to be partner of the firm; or to have any financial interests in the firm, whichever is the later.

2. MEETINGS

- 2.1 The Committee shall meet at least two times a year or such other times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 2.2 The external auditors may request a meeting if they consider that one is necessary.
- 2.3 The quorum for a meeting shall be two Members.
- 2.4 The Member nominated by the Board or the Company Secretary shall be the secretary of the Committee (the “Secretary”).

3. AUTHORITY

- 3.1 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.
- 3.2 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.
- 3.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor of the Company, the Committee will arrange for the Corporate Governance Report in the annual report of the Company to include an explanation of the Committee's view and the reasons why the Board has taken a difference view.
- 3.4 The Committee should be provided with sufficient resources to perform its duties.

4. DUTIES

The duties of the Committee shall be:-

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 external auditor, and any questions of its resignation or dismissal;
- (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 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 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- (d) 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:
 - (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;
- (e) Regarding (d) above:-
 - (i) Members of the Committee should liaise with the Board and senior management of the Company 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;

Oversight of the Company's financial reporting system, risk management and internal control system

- (f) to review the Group's financial controls, risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. 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;
- (h) 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;

- (i) 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;
- (j) to review the Group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters as set out in the code provision C.3.3 of the Corporate Governance Code (Appendix 14 to the Listing Rules);
- (n) to 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor; and
- (p) to consider other topics, as defined by the Board.

5. MINUTES OF MEETINGS

- 5.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance;
- 5.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly; and
- 5.3 Full minutes of meeting of the Committee should be kept by the Secretary. Draft and final versions of minutes of the Committee meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.