



六福集團(國際)有限公司

LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(於百慕達成立之有限公司)
(Incorporated in Bermuda with Limited Liability)
Stock Code 股份代號 : 0590

TERMS OF REFERENCE - AUDIT COMMITTEE

References to “the Committee” shall mean the Audit Committee.

References to “the Board” shall mean the Board of Directors.

References to “the Company” shall mean Luk Fook Holdings (International) Limited.

1. Constitution

- 1.1 Pursuant to a board meeting of Luk Fook Holdings (International) Limited held on 1st February 1999, the Board of Directors resolved to establish a committee of the Board to be known as the Audit Committee.

2. Membership

- 2.1 The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and that a majority must be Independent Non-Executive Directors (“INEDs”).
- 2.2 The Audit Committee shall consist of not less than two (2) members, a majority of the Members shall be independent.
- 2.3 The Chairman of the Audit Committee shall be appointed by the Board and shall be and INED.
- 2.4 A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the 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.

3. Secretary

- 3.1 The Company Secretary of the Company shall be the secretary of the Audit Committee.
- 3.2 The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary of the Committee.

4. Quorum

- 4.1 A quorum shall be two (2) members. At least one of the INED must have appropriate professional qualification 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”).

5. Attendance at meetings

- 5.1 Other Board Members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without the senior management present.

6. Frequency of meetings

- 6.1 Meetings shall be held not less than twice a year before the announcement of the interim results and final results.

7. Minutes of Meetings

- 7.1 Meetings could be held in person, be telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other;
- 7.2 Full minutes and resolutions in writing shall be kept by the secretary of the Committee. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable period of time after the meeting.

8. Annual General Meeting

- 8.1 The Chairman of the Committee (or in his/her absence, another Member (who must be an INED) of the Committee) shall attend the Company’s Annual General Meeting and be prepared to respond to shareholders’ questions on the Committee’s activities and responsibilities;

9. Authority

- 9.1 The Board should delegate the Audit Committee to inspect all accounts, books and records of the Company;
- 9.2 The Committee is authorised by the Board 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.
- 9.3 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.
- 9.4 Where the board disagrees with the 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.
- 9.5 The Committee should be provided with sufficient resources to perform its duties.

10. Duties

The duties of the Committee shall be:

Relationship with the Company's External Auditor

- 10.1 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;
- 10.2 to review and monitor the external auditor's independence and objectivity;
- 10.3 to review and monitor the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and to ensure co-ordination where more than one audit firm is involved;
- 10.4 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 reasonable 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

10.5 to monitor the 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 shall focus particularly on:-

- i. any changes in accounting policies and practices;
- ii. major judgmental areas;
- iii. significant adjustments resulting from the audit;
- iv. the going concern assumption;
- v. compliance with accounting standards; and
- vi. compliance with the Listing Rules and legal requirements in relation to financial reporting;

10.6 Regarding to 10.5 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 external auditor;
- (b) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors, external and/or internal, may wish to discuss (in the absence of management where necessary);
- (c) the committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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 person occupying the same position), or external auditors; and

Oversight of the Company's financial reporting system and internal control procedures

10.7 to review the Company's financial controls, internal control and risk management systems;

10.8 to discuss the internal control 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;

- 10.9 to consider major investigation findings on internal control matters as delegated by the board or on its own initiative and management response to these findings;
- 10.10 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;
- 10.11 to review the group's financial and accounting policies and practices;
- 10.12 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;
- 10.13 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 10.14 to report to the Board on the matters in these Terms of Reference;
- 10.15 to consider any other matters specifically referred to the Committee by the Board;
- 10.16 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; and
- 10.17 to act as the key representative body for overseeing the Company's relations with the external auditor;

Performing the Company's corporate governance functions:

- 10.18 (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- (e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company;

11. Reporting procedures

- 11.1 The secretary shall circulate the minutes of meetings of the audit committee to all members of the Board.

12. Publication of the Terms of Reference

- 12.1 A copy of these Terms of Reference will be made available to any person without charge upon request, and these Terms of Reference will be posted on the websites of the Company and The Hong Kong Exchanges and Clearing Limited.