



**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF  
SA SA INTERNATIONAL HOLDINGS LIMITED**  
(together with its subsidiaries, the “COMPANY” unless the context otherwise requires)

**A. INTRODUCTION**

1. These Terms of Reference are adopted by the board (“Board”) of directors (“Directors”) of the Company by resolution passed on 20 February 2017 to govern the operations of the Audit Committee.

**B. MEMBERSHIP AND QUORUM**

2. The members of Audit Committee should be appointed by the Board comprising the non-executive Directors of the Company (“Non-executive Directors”) only. The Audit Committee should consist of a minimum of three Non-executive Directors, at least one of whom is an independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The majority of the Audit Committee members should be independent Non-executive Directors and the Audit Committee should be chaired by an independent Non-executive Director. R.3.21
3. Two Independent Non-executive Directors should form a quorum provided that if any member of the Audit Committee is interested in any matter submitted to the Audit Committee for consideration or approval, such member should declare the nature of his interest and should not be counted in the quorum present at the meeting and his vote should also not be counted.

**C. MEETINGS OF AUDIT COMMITTEE**

4. The chief executive officer and the chief financial officer of the Company should normally attend meetings and representative(s) of the external auditor of the Company (“External Auditor”) should attend the meetings for reviewing the interim and final results of the Company and any other meetings as invited by the chairman of the Audit Committee (“Chairman”). Director of Internal Audit and Management Service Department (“IAMS”) should attend the meetings for presenting its internal audit reports to the Audit Committee from time to time. The Audit Committee may invite any person, including any other Director or member of the senior management it deems appropriate to attend its meetings.
5. The Audit Committee should meet with such frequency and at such times as it may determine. It is expected that the Audit Committee should meet at least four times each year. The External Auditor may request a meeting if they consider that one is necessary.

6. Arrangement should be in place to ensure that all Audit Committee members are given an opportunity to include matters in the agenda for regular meeting. A.1.2
7. Notice of at least 14 days together with an agenda should be given for regular Audit Committee meeting to give all Audit Committee members an opportunity to attend. For all other meetings, reasonable notice should be given. A.1.3
8. All Audit Committee members and attendees should be provided with an agenda and accompanying papers in full in a timely manner and at least 3 days before the intended date of meeting to enable them to make informed decisions. A.7 Principle A.7.1
9. The company secretary of the Company (“Company Secretary”) should be the secretary of the Audit Committee. In the absence of the Company Secretary in any meeting of the Audit Committee, a member of the Audit Committee or such other person it may appoint should act as the secretary of the meeting of the Audit Committee. All Audit Committee members should have access to the advice and services of the Company Secretary with a view to ensuring that Board committee procedures, and applicable law, rules and regulations, are followed. F.1.4
10. Draft and final versions of minutes of the Audit Committee meetings should be sent to all members of the Audit Committee for their comment and records within a reasonable time after the meeting is held. Full minutes of Audit Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary). A.1.4 A.1.5 C.3.1
11. Audit Committee papers and minutes should be open for inspection at any reasonable time on reasonable notice by any Director. A.1.4

#### **D. AUTHORITY**

R.3.22

12. In order to perform its responsibilities, upon reasonable request, the Audit Committee members should be able to seek independent professional advice at the Company’s expense in appropriate circumstances or where necessary pursuant to the Guidelines for Directors to Obtain Independent Professional Advice adopted by the Board and as amended from time to time. The Audit Committee should be provided with sufficient resources to perform its duties. A.1.6 C.3.6
13. The Audit Committee is authorized by the Board:
  - 13.1. to investigate any activity within its Terms of Reference. It is authorized to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee;
  - 13.2. to delegate its authority and duties to sub-committees, or individual members of the Audit Committee, as it deems appropriate;
  - 13.3. to do any such things to enable the Audit Committee to discharge its authority and duties conferred on it by the Board; and
  - 13.4. to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Memorandum and Articles of Association of the Company or imposed by law, regulations or the Listing Rules.

## E. DUTIES

R.3.22

C.3.3

14. The duties of the Audit Committee should primarily include, among others, the following:

### **Relationship with the Company's External Auditor**

- 14.1. 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; C.3.3(a)
- 14.2. 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 External Auditor the nature and scope of the audit and reporting obligations before the audit commences; C.3.3(b)
- 14.3. to develop and implement policy on engaging an External Auditor to supply non-audit services, with reference to the Company's Policy on Provision of Audit and Non-audit Services by the External Auditor to the Company. 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; C.3.3(c)
- 14.4. to meet with the External 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 External Auditor may wish to raise; Note 1(iii)  
to C.3.3(c)
- 14.5. to 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 where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the External Auditors; and C.3.5
- 14.6. to act as the key representative body for overseeing the Company's relations with the External Auditor. C.3.7(b)

### **Review of financial information and plan of the Company**

- 14.7. 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 should focus particularly on: C.3.3(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.
- 14.8. regarding paragraph 14.7 above:
- (i) members of the Audit Committee should liaise with the Company’s Board and senior management and the Audit Committee must meet, at least twice a year, with the External Auditor; and C.3.3(e)(i)
  - (ii) 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 the External Auditor. C.3.3(e)(ii)
- 14.9. if designated by the Board to discuss, determine and approve annual budget, long term plan and implementation plan of the Company and its subsidiaries (collectively “Group”).

**Oversight of the Company’s financial reporting system, risk management and internal control systems**

- 14.10. to review the Company’s financial controls, risk management and internal control systems and reports to the Board its findings for the Board’s review; C.3.3(f)
- 14.11. to discuss the risk management and internal control systems with management or Director of IAMS to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function; C.2.2  
C.3.3(g)
- 14.12. 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; C.3.3(h)
- 14.13. where an internal audit function exists, to ensure co-ordination between the internal auditor and External Auditor, and to ensure that the internal audit function is adequately resourced and have appropriate standing within the Company, and to review and monitor their effectiveness; C.3.3(i)
- 14.14. to review the Group’s financial and accounting policies and practices; C.3.3(j)
- 14.15. to review the External Auditor’s management letter, any material queries raised by the External Auditor to management about accounting records, financial accounts or systems of control and management’s response; C.3.3(k)
- 14.16. to ensure that the Board will provide a timely response to the issues raised in the External Auditor’s management letter; C.3.3(l)
- 14.17. to report to the Board on the matters set out in the Code Provisions C.3.3 of Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules; C.3.3(m)
- 14.18. to consider other topics, as defined by the Board; and C.3.3(n)

- 14.19. to comment on reports prepared by Director of IAMS and, if deemed necessary, present their major findings to the Board from time to time.

### **Risk management and internal controls**

- 14.20. on behalf of the Board, to evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Company's strategic objectives and to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems; C.2 Principle
- 14.21. on behalf of the Board, to oversee management in the design, implementation and monitoring of the risk management and internal control systems and to seek management's confirmation on the effectiveness of the systems; C.2 Principle
- 14.22. on behalf of the Board, to oversee the Company's risk management and internal control systems on an ongoing basis, to ensure that a review of the effectiveness of the risk management and internal control systems of the Group has been conducted at least annually and report to shareholders that it has done so in the Corporate Governance Report of the Company. The review should cover all material controls, including financial, operational and compliance controls. The annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; C.2.1  
C.2.2  
C.3.3(g)
- 14.23. the annual review should, in particular, consider: C.2.3
- (a) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
  - (b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
  - (c) 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;
  - (d) significant control failings or weaknesses that have been identified during the period. 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 Company's financial performance or condition; and
  - (e) the effectiveness of the issuer's processes for financial reporting and Listing Rule compliance.
- 14.24. to disclose, in the Corporate Governance Report, a narrative statement on how the Company has complied with the risk management and internal control code provisions during the reporting period. In particular, the Company should disclose: C.2.4
- (a) the process used to identify, evaluate and manage significant risks;
  - (b) the main features of the risk management and internal control systems;
  - (c) an acknowledgement by the Board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business

objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss;

- (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and
- (e) the procedures and internal controls for the handling and dissemination of inside information.

14.25. 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; C.3.7(a)

14.26. to establish a whistleblowing policy and system for employees and, if deemed necessary, those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company; and C.3.8

### **Reporting Responsibility**

14.27. to report back to the Board on its major activities, findings, decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements). D.2.2

## **F. ATTENDANCE IN ANNUAL GENERAL MEETING**

15. The Chairman, or in his absence, another member of the Audit Committee or failing him, a duly appointed delegate of the Chairman, should attend the annual general meeting of the Company and be available to answer questions at the annual general meeting of the Company. E.1.2

## **G. AVAILABILITY OF TERMS OF REFERENCE**

16. The Audit Committee should make available its Terms of Reference, explaining its role and the authority delegated to it by the Board, by including them on the Exchange's website and the Company's website. C.3.4

## **H. LANGUAGE VERSION**

17. The text of this Terms of Reference appears in both English and Chinese languages. In case of discrepancy, the English version shall prevail.