

TSE SUI LUEN JEWELLERY (INTERNATIONAL) LIMITED

謝瑞麟珠寶(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 417)

AUDIT COMMITTEE TERMS OF REFERENCE

Constitution

1. The Audit Committee (the “Committee”) was established by the board of directors (the “Board”) of Tse Sui Luen Jewellery (International) Limited (the “Company”) on 20 November 1998 pursuant to Bye-law 120 of the Company’s Bye-laws.

Membership

2. The members of the Committee should be appointed by the Board and should comprise non-executive directors only. The Committee should comprise a minimum of three members, at least one of whom should be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of Committee members should be independent non-executive directors.
3. The Chairman of the Committee shall be an independent non-executive director.
4. The quorum for the Committee shall be at least two members.

Secretary

5. The Company Secretary of the Company shall be the secretary of the Committee. In the absence of the Company Secretary in any meeting of the Committee, the Committee shall appoint any other person to act as the secretary of the meeting of the Committee.

Attendance

6. A representative of the external auditors shall normally attend meetings of the Committee. Other Board members shall also have the right of attendance and the

* *For identification purposes only*

Committee may invite other top executive to attend meetings if necessary.

Frequency of Meetings

7. Meetings of the Committee shall be held at least twice a year.
8. It is suggested that the Committee should 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.

Authority

9. The Committee is authorized by the Board to investigate any activity within its terms of reference. The Committee is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
10. The Committee is authorized by the Board, subject to prior discussion concerning the cost, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
11. The Committee is to be provided with sufficient resources to discharge its duties.

Annual General Meetings

12. The Chairman of the Committee (or in his absence, his duly appointed delegate) shall attend the Company's annual general meetings and be prepared to respond to any shareholders' questions on the Committee's activities.

Duties

13. The duties of the Committee shall include:

Relationship with the Company's auditors

- (a) 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 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 judgements 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 judgemental 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 and the Committee should 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 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 auditors;

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

- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control and systems;
- (g) to discuss the risk management and internal control system 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 investigations 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 in these Terms of Reference;
- (n) 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 Committee should ensure that proper arrangements are in place for the 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.

Reporting Procedures

14. The secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

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