



有利集團有限公司*
Yau Lee Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 0406)

TERMS OF REFERENCE FOR AUDIT COMMITTEE

A. Constitution

1. The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee (the “Committee”).

B. Membership

2. The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than three members. A quorum shall be two members;
3. The Chairman of the Committee shall be appointed by the Board.

C. Attendance at Meetings

4. The Chief Financial Officer, the Chief Internal Auditor, if applicable, and a representative of the external auditors shall normally attend meetings. 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 Executive Board Members present;
5. The Company Secretary shall be the secretary of the Committee.

D. Frequency of meetings

6. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

E. Authority

7. The Committee is authorised by the Board to investigate any activity within this 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;
8. The Committee is authorised by 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.

F. Duties

9. The duties of the Committee shall be:
- (a) to consider the appointment, reappointment and removal of the external auditor, the audit fee, the terms of engagement of external auditor and any questions of resignation or dismissal;
 - (b) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;
 - (c) to review the completeness, accuracy and fairness of the half-year and annual financial statements before submission to the Board, focusing particularly on:
 - any changes in accounting policies and practices;
 - major judgment areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - compliance with accounting standards; and
 - compliance with stock exchange and legal requirements;
 - (d) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
 - (e) to review the external auditors' management letter, any material queries raised by the auditor to management and management's response;
 - (f) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard;
 - (g) to develop and implement policy on the engagement of an external auditor to supply non-audit services;
 - (h) to ensure the provision of non-audit services by an external auditor does not impair the external auditor's independence or objectivity in connection with their audit;
 - (i) to review the Company's statement on financial controls, internal control and risk management systems prior to endorsement by the Board;
 - (j) to review the Company's financial and accounting policies and practices;
 - (k) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
 - (l) to consider the major findings of internal investigations and management's response; and

(m) to consider other topics as define by the Board.

(if an internal audit function shall exist in the Company in future, the Committee should review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company)

G. Reporting procedures

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

* For identification purpose only