

# C Y FOUNDATION GROUP LIMITED

## AUDIT COMMITTEE

### TERMS OF REFERENCE

(Adopted by the Board on 20 December 2006 and amended on 29 February 2008 and 12 March 2012)

#### 1. DEFINITIONS

“Audit Committee”	the audit committee of the Company
“Auditors”	the external auditors of the Company which audits and prepares the periodic financial statements of the Company
“Board”	the board of Directors
“Company”	C Y Foundation Group Limited
“Director(s)”	the director(s) of the Company
“ED(s)”	the executive Director(s)
“Executive Board”	the board of EDs
“INED(s)”	the independent non-executive Director(s)
“NED(s)”	the non-executive Director(s)
“Secretary”	the secretary of the Audit Committee
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

#### 2. CONSTITUTION

- 2.1 The Audit Committee was established by the Board.
- 2.2 These terms of reference were proposed by the Executive Board and were adopted by the Audit Committee.

#### 3. MEMBERSHIP

- 3.1 The Audit Committee shall comprise a minimum of 3 members who shall be appointed by the Executive Board without fixed term of office but each member shall be subject to the holding of an office as a Director. All members should be NED(s) or INEDs and a majority of them should be INEDs.
- 3.2 The chairman of the Audit Committee shall be an INED and shall be appointed by the Executive Board.

#### **4. ATTENDANCE AT MEETINGS**

- 4.1 The Financial Controller and/or the relevant management person(s) of the finance/accounts department of the Company shall normally attend meetings of the Audit Committee. The Audit Committee shall meet with the Auditors without the presence of any ED (except the Financial Controller, if any) at least twice a year.
- 4.2 In general, the company secretary of the Company should be the Secretary.

#### **5. FREQUENCY AND PROCEEDINGS OF MEETINGS**

- 5.1 Meetings shall be held at least twice for every financial year and before the finalization of the interim results and the audited annual financial statements of the Company.
- 5.2 The Auditors or the Audit Committee may request additional meeting if they consider that such is necessary.
- 5.3 Each meeting of the Audit Committee shall be attended, physically or by electronic means, by at least a member who is an INED.

#### **6. AUTHORITY**

- 6.1 The Audit Committee is authorized by the Executive Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee or executive of the Company and all employees and executives are directed to co-operate with any request made by the Audit Committee.
- 6.2 The Audit Committee is authorized by the Executive 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, provided the arrangement is in line with the Company's guidelines for seeking independent professional advice (if any).

#### **7. FUNCTIONS AND DUTIES**

The duties of the Audit Committee shall be:

- 7.1 to consider the appointment of the Auditors, the audit fee, and any questions of resignation or dismissal of the Auditors;
- 7.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- 7.3 to discuss with the Auditor the nature and scope of the audit, and the reporting obligation before the audit commences;
- 7.4 to consider the engagement of another or an extra external auditor to supply non-audit services, if the Audit Committee considers that it is not appropriate for the Auditors to

perform such duty;

- 7.5 to review the annual and half-yearly financial statements before submission to the Board, focusing particularly on:
  - 7.5.1 any changes in accounting policies and practices;
  - 7.5.2 major judgmental areas;
  - 7.5.3 significant adjustments resulting from the audit;
  - 7.5.4 the going concern assumption and qualifications;
  - 7.5.5 compliance with accounting standards; and
  - 7.5.6 compliance with Stock Exchange and legal requirements.
- 7.6 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);
- 7.7 to review the Auditors' management letter and the management's response;
- 7.8 to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters raised by the Company's Financial Controller, compliance officer (if any) or the Auditors;
- 7.9 to review the Company's statement on financial controls, internal control and risk management systems;
- 7.10 to consider findings of major investigations of internal control;
- 7.11 to conduct an annual review of the adequacy of resources, qualifications and experience of staff for the issuer's accounting and financial reporting function, and training programs and budget;
- 7.12 to review the effectiveness of internal audit function (if any), and to ensure co-ordination between internal and external auditors;
- 7.13 to review arrangements the Company's employees 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;
- 7.14 to act as the key representative body for overseeing the Company's relations with the external auditor; and
- 7.15 to consider other topics, as defined by the Board.

## **8. REPORTING PROCEDURES**

The Secretary shall arrange the records of the meetings of the Audit Committee in the following manner:

- 8.1 draft minutes to be sent to all members of the Audit Committee present in the meeting for comments within 10 business days from the date of the meeting;
- 8.2 a minimum of 3 business days shall be allowed for each member present in the relevant meeting to comment on the draft minutes; and
- 8.3 within the next 10 business days, the final version of the minutes shall be circulated to each presentee at the relevant meeting for signature and shall be delivered to each member of the Audit Committee for record and each member of the Board for reference.