

# **ALLAN INTERNATIONAL HOLDINGS LIMITED**

**(the “Company”)**

## **Terms of Reference of Audit Committee**

*(adopted on 1 February 2005 and*

*Amended on 1 January 2009, 12 March 2012 and 26 April 2016)*

### **CONSTITUTION**

1. The Audit Committee (the “Committee”) is appointed by the board of directors of the Company (the “Board”).

### **MEMBERSHIP & SECRETARY**

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and shall consist of not less than three members (the “Members”), 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 the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”). The majority of the Members must be independent non-executive directors. A quorum shall be 2 members and one of them must be an independent non-executive director.
3. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a Member of the Committee for a period of 1 year from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.
5. The Company Secretary shall be the secretary of the Committee.

### **MEETINGS**

6. The Committee shall meet at least twice a year. The external auditor may request a meeting if it considers that one is necessary. The Committee shall meet with the external auditor, at least annually, in the absence of the 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.
7. The Committee may invite executive directors, senior management, head of accounts department, qualified accountant, representatives of the external auditors of the Company or other persons to attend the meeting of the Committee.
8. Full minutes of meetings should be kept by the secretary of the meeting (who should

normally be the Company Secretary). Draft and final versions of minutes should be sent to all Members for their comment and records within a reasonable time after the meeting.

## **AUTHORITY**

9. The Committee is authorised by the Board to investigate any activity within the Terms of Reference. It is authorised to seek any information it requires from any employee or management of the Company and all such persons are directed to co-operate with any request made by the Committee.
10. The Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
11. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
12. The Committee should be provided with sufficient resources to perform its duties.

## **DUTIES**

The Committee shall have the following duties:

### *Relationship with the Company's auditors*

13. 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;
14. 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;
15. 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 financial information*

16. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report 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: -
  - A. any changes in accounting policies and practices;
  - B. major judgmental areas;
  - C. significant adjustments resulting from audit;
  - D. the going concern assumptions and any qualifications;
  - E. compliance with accounting standards; and
  - F. compliance with the Listing Rules and other legal requirements in relation to financial reporting;
17. regarding 16 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; and
  - B. 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 or external auditor.

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

18. 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 systems;
19. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective internal control 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;
20. 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;
21. 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;
22. to review the group's financial and accounting policies and practices;

23. 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;
24. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
25. to report to the Board on the matters in the Terms of Reference;
26. to consider other topics, as defined by the Board;
27. 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 fair and independent investigation of these matters and for appropriate follow-up action.
28. to act as the key representative body for overseeing the Company's relations with the external auditor.

#### **REPORTING PROCEDURES**

29. The secretary or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

#### **ANNUAL GENERAL MEETING**

30. The chairman of the Committee, or in the absence of the chairman of the Committee, another member of the Committee, or failing which, his duly appointed alternate, shall attend the Company's annual general meetings and be prepared to respond to any Shareholder's questions on the Committee's activities and its responsibilities.