



**中國鼎益豐控股有限公司**

CHINA DING YI FENG HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00612)**

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**Terms of reference of  
the Audit Committee of the Board of Directors**

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## China Ding Yi Feng Holdings Limited (the “Company”)

### Terms of Reference for the Audit Committee

#### Constitution

1. The Company established the Audit Committee (“Committee”) on 3 December 2001.

#### Membership

2. The members of the Committee (“Members”) shall be appointed by the board (“Board”) of directors of the Company (“Directors”) from amongst the non-executive Directors only and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of them must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Executive Directors may not serve as Members. Two Members shall form a quorum of the Committee.
3. A former partner of the Company’s existing auditing firm is prohibited from acting as a Member for a period of two years from the date of his ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm, whichever is later.
4. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive Director.

#### Term

5. The Board shall determine the term of each Member. If a Member ceases to be a Director, then his office as Member shall *ipso facto cease*.

### **Attendance at meetings of the Committee**

6. The financial controller of the Company and the representatives of the external auditor of the Company shall normally attend meetings of the Committee. The Committee shall meet with the external auditor of the Company at least twice a year. However, at least once a year the Committee shall meet with the external auditor of the Company without the presence of the executive Directors. Only Members are entitled to vote at the Committee meetings.
7. The Company Secretary shall act as the secretary of the Committee and shall be responsible for taking minutes of each Committee meeting.

### **Frequency of Meetings**

8. Meetings of the Committee shall be held not less than two times a year and special meetings may be called at the discretion of the Chairman of the Committee or at the request of the Board or senior management of the Company to review significant control or financial issues. The external auditor of the Company may request a meeting if they consider necessary.

### **Notice of Meetings**

9. Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the Chairman of the Committee. Notice shall be given to each Member in person orally or in writing or by telephone or by email or facsimile transmission at the telephone number or facsimile number or address or email address from time to time notified to the Company Secretary by such Member or in such other manner as the Members may from time to time determine. Any notice given orally shall be followed by confirmation in writing before the Committee meeting.

Unless otherwise agreed, notice of each Committee meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each Member and any other person required to attend, no later than 7 days before the date of the Committee meeting. Supporting papers shall be sent to the Members and to the other attendees at least 3 days in advance of the Committee meeting (or other agreed period).

### **Proceedings of Meetings**

10. Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association governing the proceedings of the Directors.

## **Authority**

11. The Committee is authorized by the Board to investigate any matter within its terms of reference. It is authorized to seek any information it requires from any employee for the purpose of performing its duties and all employees are directed to co-operate with any request made by the Committee.
12. The Committee is authorized by the Board to at the expense of the Company obtain outside legal or other independent professional advice and to secure the attendance of any person with relevant experience and expertise if it considers this necessary.
13. The Committee is authorized to act as the key representative body for overseeing the Company's relationship with the external auditor.

## **Duties**

14. The duties of the Committee shall be:

### **Relationship with the Company's external auditor**

- (a) 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;
- (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 external 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 audit 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 half-year, annual and any periodic financial statements, half-year report, annual report, if prepared for publication, quarterly reports and any preliminary announcement before submission to the Board, and to review significant financial reporting judgments 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 judgmental areas;
  - (iii) significant adjustments resulting from the 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;
- (e) Regarding (d) above:
  - (i) 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
  - (ii) the 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(s) or auditor;

## **Oversight of the Company's financial reporting system and internal control procedures**

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;
- (h) to consider major investigation findings on 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 external 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 set out above; and
- (n) to consider other topics, as defined by the Board.

### **Minutes of Meetings**

- 15. The secretary of the Committee shall circulate to all Directors the final versions of Committee meeting minutes as soon as practicable after approval by the Committee.
- 16. Full minutes of the Committee meetings shall be kept by the secretary of the Committee and shall be open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of the Committee meetings shall be sent to all Members for their comment and records, within a reasonable time after such Committee meetings are held.
- 17. All minutes shall record in sufficient detail the matters considered, decisions reached or recommendations made any concerns raised by any Member including dissenting views of any Member.

### **Reporting Procedures**

- 18. The Committee shall report to the Board on a regular basis. At the next Board meeting following a Committee's meeting, the Committee shall report the Committee's decisions or recommendations to the Board, unless there are legal or regulatory restrictions.

### **Annual General Meeting**

- 19. The Chairman of the Committee or in his absence, another member of the Committee, or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to any shareholders' questions on the Committee's activities.

## **Other Procedures**

20. The 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.
21. Unless otherwise defined, terms and expressions used herein shall have the same meanings as defined in the Listing Rules.

## **Continuing application of the articles of association of the Company**

22. The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

## **Powers of the Board**

23. The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including Appendix 14 (Corporate Governance Code and Corporate Governance Report) to the Listing Rules), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

## **Language**

24. If there is any inconsistency between the English and Chinese versions of these terms of reference, the English version shall prevail.