



**INTERNATIONAL**

## **VEDAN INTERNATIONAL (HOLDINGS) LIMITED**

**味丹國際（控股）有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock code: 02317)**

**(the “Company”)**

### **AUDIT COMMITTEE – TERMS OF REFERENCE**

(Adopted by the Company pursuant to the Board resolution passed on 22 December 2015 and applicable to the Company’s accounting periods beginning on or after 1 January 2016)

#### **1. Members**

- 1.1 The audit committee of the Company (“**Committee**”) shall be established by the board of directors (“**Directors**”) of the Company (“**Board**”). It shall comprise a minimum of three members.
- 1.2 The Committee shall comprise non-executive Directors only. The majority of the Committee members must be independent non-executive Directors, and 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 (as amended from time to time) (the “**Listing Rules**”).
- 1.3 The Committee must be chaired by an independent non-executive Director and appointed by the Board from time to time. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 If the Committee comprise a non-executive Director, 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 later.
- 1.5 The terms of appointment of the Committee members are determined by the Board at the appointment date.

1.6 A member of the Committee who ceases to be a member of the Board shall immediately and automatically cease to be a member of the Committee.

## **2. Secretary**

2.1 The company secretary of the Company shall act as the secretary of the Committee.

2.2 The Committee may from time to time, appoint any other person with appropriate qualification and experience to act as the secretary of the Committee.

## **3. Meeting**

3.1 Unless specified by these terms of reference, meetings and proceedings of the Committee shall be governed by the Company's articles of association regulating the meetings and proceedings of the Directors.

3.2 The Committee should meet at least twice a year. The external auditors of the Company can call for a meeting if necessary.

3.3 Notice of at least 14 days should be given for any meeting, unless such notification is waived by all members of the Committee. Notwithstanding the notification period, the attendance of a member of the Committee at the meeting would be deemed to be a waiver by him/her of the required notification requirement. If the follow up meeting takes place within 14 days after the meeting, no notification is required for such follow up meeting.

3.4 The quorum necessary for the transaction of business of the Committee shall be two members of the Committee, one of whom must be an independent non-executive Director.

3.5 Meeting can be attended in person or via electronic means including telephonic or video conferencing. The members of the Committee can attend the meeting via telephonic or any similar communication device (all persons attending such meeting should be able to hear from such member via such communication device).

3.6 The resolution of the Committee should be passed by more than half of the members.

3.7 Written resolution passed and signed by all members is valid, and the validity is the same as any resolution passed in a meeting held.

- 3.8 Full minutes of the Committee meeting should be kept by a duly appointed secretary of the Committee. Draft and final versions of minutes of the meeting should be sent to all Committee members for their comment and records, within a reasonable time after the meeting.
- 3.9 The Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless prohibited by applicable laws and regulations.

#### **4. Meeting attendance**

- 4.1 The members of the Committee should meet, at least twice a year, with the Company's external auditors without the attendance of the executive Directors (except for the one invited by the Committee).
- 4.2 Upon the invitation from the Committee, the following persons can attend the meeting: (i) head of internal audit department or (if absent) the representative from internal audit department; (ii) group financial controller (or equivalent); and (iii) the other Board members.
- 4.3 Only members of the Committee can vote in the meeting.

#### **5. Annual General Meeting**

- 5.1 The chairman of the Committee or (if absent) another member of the Committee (who must be an independent non-executive Director) shall attend the annual general meeting of the Company, handle shareholders' enquiries on the activities and responsibilities related to the Committee.

#### **6. Duties and Powers**

- 6.1 The Committee is responsible for reviewing and monitoring the financial reporting and internal control principles of the Company, and shall assist the Board to fulfill its responsibility over the audit. The Committee's duties and powers should include, without limitation, the following:

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

- 6.1.1 to act as key representative body for overseeing the Company's relations with the external auditors; and 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 question of its resignation or dismissal;

6.1.2 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;

6.1.3 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;

6.1.4 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***

6.1.5 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:

- (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 legal requirements in relation to financial reporting;

6.1.6 regarding paragraph 6.1.5 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 auditors; and

- (b) 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 or auditors;

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

- 6.1.7 to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- 6.1.8 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions;
- 6.1.9 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;
- 6.1.10 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;
- 6.1.11 to review the group's financial and accounting policies and practices;
- 6.1.12 to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- 6.1.13 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.1.14 to report to the Board on the matters in the code provision under Appendix 14 of the Listing Rules;
- 6.1.15 to consider other topics, as defined by the Board;

6.1.16 make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed;

***Relationships with the employees of the Company***

6.1.17 to review arrangements that 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;

6.1.18 to establish a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company;

***Performing the Company's corporate governance functions***

6.1.19 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

6.1.20 to review and monitor the training and continuous professional development of Directors and senior management of the Company;

6.1.21 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

6.1.22 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and the Directors; and

6.1.23 review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company.

6.2 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, 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.

**7. Declaration responsibility**

7.1 The Committee has to report to the Board every time after the meeting.

## **8. Authority**

- 8.1 The Board should delegate the Committee to inspect all accounts, reports and records of the Company.
- 8.2 The Committee is authorised by the Board to investigate any activity within its 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.
- 8.3 In order to fulfill its duties, the Committee is eligible to request the management of the Company to provide any figures related to the financial status of the Company, its subsidiaries and associates.
- 8.4 The Committee member should have access to outside legal or independent professional advice in the expense of the Company if necessary, in order to fulfill his responsibility of being the Committee member.

*Remark: the independent professional advice can be sought via the financial controller or the company secretary.*

- 8.5 The Committee should be provided with sufficient resources to perform its duties.

*Remark: "senior management" refers to the same persons referred to in the Company's annual report. It is the responsibility of the Directors to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries; heads of divisions, departments or other operating units within the group as, in the opinion of the Directors, is appropriate.*

## **9. Terms Available**

- 9.1 The Committee shall make available these Terms of Reference on request and by including them on The Stock Exchange of Hong Kong Limited's website and the Company's website.

23 December 2015

*Note: If there is any inconsistency between the English and Chinese versions of these Terms of Reference, the English version shall prevail.*