



POU SHENG INTERNATIONAL (HOLDINGS) LIMITED

寶勝國際（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3813)

Terms of Reference for Audit Committee

Purpose

1. The purpose of the Audit Committee is to assist the board of directors (the “Board” or the “Directors”) of Pou Sheng International (Holdings) Limited (the “Company”) in considering how the Board should apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company’s auditors.

Membership

2. The Audit Committee shall comprise a minimum of three members consisting of non-executive Directors only and a majority of which must be independent non-executive Directors. The Audit Committee must comprise of at least one independent non-executive Director who has 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 (the “Listing Rules”) (as amended from time to time). A quorum shall be two members.
3. The chairman of the Audit 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 Audit Committee 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.

Attendance at meetings

5. The financial director, the head of internal audit and a representative of the external auditors of the Company shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the external and internal auditors without the presence of executive Directors.
6. The company secretary of the Company (the “Company Secretary”) shall be the secretary of the Audit Committee.

Frequency of meetings

7. The Audit Committee shall meet at least twice annually or more frequently if circumstances require and shall act by unanimous written consent. The Board, any Audit Committee member and the external auditors may request a meeting if they consider that one is necessary.

Authority

8. The Audit 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 will be directed to co-operate with any request made by the Audit Committee.
9. The Audit Committee is authorised by the Board to obtain outside independent legal or other professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Audit Committee if it considers this necessary.
10. Where the Board disagrees with the Audit 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 Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
11. The Audit Committee should be provided with sufficient resources to perform its duties.

Duties

12. The duties of the Audit Committee shall include the following:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, 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 Audit Committee should discuss with the auditors 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;
- (d) to monitor the 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 Audit Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from 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;

Notes:

Regarding (d) above:

- (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditors; and
 - (ii) the Audit 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, compliance officer or auditors.
- (e) to review the Company's financial controls, risk management and internal control systems;
 - (f) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. Such discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
 - (g) 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;
 - (h) 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;
 - (i) to review the group's financial and accounting policies and practices;
 - (j) to review the external auditors' management letter, any material queries raised by the auditors to management about the accounting records, financial accounts or systems of control and management's response;
 - (k) to ensure that the Board will provide a timely response to the issues raised in external auditors' management letter;
 - (l) to report to the Board on the matters in this section 12 and keep the Board fully informed of its decisions and recommendations subject to secrecy provisions under applicable laws;

- (m) to review arrangements which employees of the Company can use, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (n) to act as the key representative body for overseeing the Company's relationship with the external auditors;
- (o) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company; and
- (p) to consider such other matters as the Board may from time to time determine.

Reporting procedures

13. Minutes of Audit Committee meetings should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed and should be prepared and kept by the Company Secretary. Draft and final versions of minutes of the meetings should be sent to all Audit Committee members for their comment and records within a reasonable time after the meeting.
14. The Company Secretary shall also circulate the final version of minutes of meetings of the Audit Committee to all members of the Board for their records as soon as practicable after the conclusion of any meeting of the Audit Committee. The minutes should be opened for inspection at any reasonable time on reasonable notice by any Director.

Note: In the event of any inconsistency, the English language text of these terms of reference shall prevail over the Chinese language text.