



**CELESTIAL ASIA SECURITIES HOLDINGS LIMITED**

時富投資集團有限公司\*

(“Company”)

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**TERMS OF REFERENCE  
of the audit committee (“Committee”)  
of the Company  
(revised on 17 November 2015)**

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**1. Constitution**

- 1.1 The board of directors of the Company (“Board”) resolved to establish the Committee known as the audit committee.
- 1.2 These terms of reference were proposed by the board of executive directors of the Company and were adopted by the Committee.

**2. Membership**

- 2.1 Minimum number of members of the Committee shall be 3 and shall be appointed by the Board without fixed term of office but shall retire, and being eligible for re-appointment, at every annual general meeting of the Company. All members should be non-executive directors and a majority of them should be independent.
- 2.2 The chairman of the Committee shall be an independent non-executive director and shall be appointed by the Board.

**3. Attendance at meetings**

- 3.1 The finance director and the relevant financial management person(s) of the Company shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without executive Board members (except the finance director) present.
- 3.2 The company secretary of the Company shall be the secretary of the Committee.

**4. Frequency and proceedings of meetings**

- 4.1 Meetings shall be held not less than twice a year. The external auditors or the Committee may request additional meeting if they consider that such is necessary.
- 4.2 Each meeting of the Committee shall be attended, physically or by phone, by at least a member who is an independent non-executive director of the Company.

## **5. Authority**

- 5.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 5.2 The Committee is authorized by the 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.

## **6. Duties**

The duties of the Committee shall be:

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

- 6.1 to consider the appointment, reappointment and removal of the external auditor, the audit fee and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- 6.2 to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- 6.3 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 6.4 to develop and implement policy on engaging an external auditor to supply non-audit services;

### *Review of the Company's financial information*

- 6.5 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:
  - 6.5.1 any changes in accounting policies and practices;
  - 6.5.2 major judgmental areas;
  - 6.5.3 significant adjustments resulting from the audit;
  - 6.5.4 the going concern assumption and any qualifications;
  - 6.5.5 compliance with accounting standards;
  - 6.5.6 compliance with the Listing Rules and legal requirements in relation to financial reporting.
- 6.6 to 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*

- 6.7 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;
- 6.8 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the annual review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal control and financial reporting function;
- 6.9 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;
- 6.10 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;
- 6.11 to review the group's financial and accounting policies and practices;
- 6.12 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;
- 6.13 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.14 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 6.15 The Committee should be provided with sufficient resources to perform its duties.
- 6.16 to review arrangements by which employees of the Group 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;
- 6.17 to act as the key representative body for overseeing the Company's relations with the external auditor; and
- 6.18 to consider other topics, as referred to the Committee by the Board from time to time.

## **7. Reporting procedures**

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

- 7.1 draft and final versions of minutes of the meetings should be sent to all members of the Committee present in the meeting for comments and records within a reasonable time after the meeting;
- 7.2 full minutes of meetings of the Committee should be kept by the secretary.

\* *For identification purpose only*