



GUANGDONG INVESTMENT LIMITED
(粵海投資有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0270)

Audit Committee – Terms of Reference

1. Purpose

The Audit Committee shall assist the board (the “Board”) of directors (the “Directors”) of the Company in establishing formal and transparent arrangements to consider how the Board will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company’s auditors.

2. Membership

2.1 The Audit Committee shall be appointed by the Board.

2.2 The Audit Committee shall consist of a minimum of 3 members (“Members”) who shall be non-executive Directors. The majority of the Members should be independent non-executive Directors, at least one of whom possesses appropriate professional qualifications or accounting or related financial management expertise.

2.3 The Chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.

3. Secretary

3.1 The Company Secretary of the Company shall be the secretary of the Audit Committee.

3.2 In the absence of the Company Secretary, his/her representative or any one Member shall be the secretary of the Audit Committee meetings.

4. Meetings

4.1 The meetings and proceedings of the Audit Committee shall be governed by the provisions contained in the articles of association of the Company for regulating the meetings and proceedings of the Board Meetings.

- 4.2 The Audit Committee shall meet at least twice a year. The external auditor of the Company may also request a meeting if they consider that it is necessary.
- 4.3 Notice of the meetings of the Audit Committee shall be given to a Member if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the Company for this purpose.
- 4.4 The quorum for meetings of the Audit Committee shall be two Members.
- 4.5 Members may participate in a meeting in person, or by means of a conference telephone or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously.
- 4.6 Resolutions at meetings shall be passed by a majority of votes of all the Members present.
- 4.7 A resolution in writing signed by all Members shall be as valid and effectual as a resolution passed at a meeting of the Audit Committee.
- 4.8 Draft and final versions of minutes shall be sent to all Members for their comment and records respectively.
- 4.9 Minutes of the Audit Committee meetings shall be kept by the appointed secretary of the meetings. Such Minutes shall be open for inspection upon reasonable notice given by any Director.
- 4.10 Representatives of the Company's external auditor will meet the Audit Committee at least once a year without any Executive Directors and management of the Company being present, except by invitation of the Audit Committee, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.
- 4.11 At the invitation of the Audit Committee, the following persons may attend the meeting:
- (i) Head of Internal Audit Department;
 - (ii) Chief Financial Officer of the Company; and
 - (iii) Other member of the Board or other persons.

5. Reporting

- 5.1 The secretary or his/her representative shall circulate minutes of meetings and reports of the Audit Committee to all members of the Board.
- 5.2 The Audit Committee shall report to the Board on its work (including its decisions and recommendations) from time to time as appropriate and in any event not less than twice every year.

6. Annual General Meeting

- 6.1 The Chairman of the Audit Committee or another Member (who must be an independent non-executive Director) of the Audit Committee shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and responsibilities.

7. Authority

- 7.1 The Audit Committee is authorised by the Board to inspect all accounts, books and records of the Company.
- 7.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its responsibilities.
- 7.3 A Director as a member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his responsibilities as a member of the Audit Committee to the Company.
- 7.4 The Audit Committee shall be provided with sufficient resources to perform its responsibilities.

8. Responsibilities

The responsibilities of the Audit Committee shall be:

Relationship with the Company's auditors

- (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 Audit Committee should discuss with the 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;
- (d) to act as the key representative body for overseeing the Company’s relations with the external auditor;

Review of the Company’s financial information

- (e) to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and quarterly reports (if applicable), and to review significant financial reporting judgments 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and legal requirements in relation to financial reporting;

- (f) Regarding (e) 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 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;

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

- (g) to review the Company's financial controls, risk management and internal control systems;
- (h) 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 adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- (i) 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;
- (j) 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;
- (k) to review the Group's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- (n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to report to the Board on the matters set out in the code provisions in relation to Audit Committee under Appendix 14 of the Listing Rules; and
- (p) to consider other topics, as defined by the Board.