



## **TYSAN HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 687)

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

#### **1. Constitution**

The board of directors (individually, a “**Director**”, and collectively, the “**Directors**”) of Tysan Holdings Limited (the “**Board**” and the “**Company**” respectively) established a committee of the Board known as the Audit Committee (the “**Committee**”) on 25 November 1999. The Board provided the Committee with the revised written terms of reference set out below (the “**Terms**”) which will take effect on 11 June 2015.

#### **2. Membership**

2.1 The Committee shall consist of at least 3 members who are non-executive Directors (individually, a “**Member**”, and collectively, the “**Members**”) and its Members shall be appointed by the Board. A majority of the Members must be independent non-executive Directors, and at least one of the Members must be 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

2.2 The chairman of the Committee (“**Chairman**”) shall be an independent non-executive Director and shall be appointed by the Board.

2.3 The company secretary of the Company or his/her nominee shall be the secretary of the Committee (the “**Secretary**”).

- 2.4 Subject to Clauses 2.1 and 2.2 above, if a Member is unable to act due to absence, illness or other cause, the Chairman may appoint another non-executive Director to serve as an alternate Member to the Member concerned.
- 2.5 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.
- 2.6 Formal meetings of the Committee (individually, a "**Meeting**", and collectively, the "**Meetings**") may be held by telephone or other communication equipment which allows those participating to hear and speak to each other, and the quorum in that event shall be any two Members (one of which should be an independent non-executive Director) so linked as governed by the Company's Bye-laws (the "**Bye-laws**").

### 3. Attendance at Meetings

- 3.1 Only Members of the Committee shall have the right to attend Committee Meetings.
- 3.2 The Committee may invite any other members of the Board, the financial controller of the Company, senior management of the Company (the "**Senior Management**") and/or external advisers to attend any Meeting(s) as it may from time to time consider appropriate to assist the Committee to perform its duties.

### 4. Proceedings

Proceedings of Meetings shall be governed by the provisions of the Bye-laws.

**5. Quorum**

The quorum necessary for the Meetings shall be two Members and one of which should be an independent non-executive Director. A duly convened Meeting at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Committee.

**6. Frequency of Meetings**

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/or as more frequently as the Committee considers appropriate.

**7. Notice of Meetings**

7.1 Meetings shall be summoned by the Secretary of the Committee at the request of the Members or at the request of external auditors.

7.2 Unless otherwise agreed, notice of each Meeting confirming the venue, time and date together with an agenda of items to be discussed, and the relevant papers and materials for the Meeting concerned shall be circulated to all Members and any other person required to attend, with reasonable notice, before the date of the Meeting. Supporting papers and relevant materials shall be in a form and quality as will enable the Members to make an informed decision on the matters placed before them.

**8. Authority**

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

8.2 The Committee is authorized by the Board:-

- (a) to investigate any matter within its Terms and seek any information it requires from any employee in order to perform its duties and all employees directed to co-operate with any such request by the Committee;

(b) to obtain, at the Company's expense, outside independent legal or other professional advice on any matter within its Terms and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary to perform its responsibilities; and

(c) to call any employee to be questioned at a Meeting when required.

8.3 The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

## **9. Minutes of Meetings**

9.1 The Secretary shall cause minutes to be made of all proceedings and resolutions of the Committee including recording the names of those present and in attendance at the Meetings.

9.2 The Secretary shall ascertain, at the beginning of each Meeting, the existence of any conflicts of interest and minute them accordingly.

9.3 Minutes of the Meetings shall record in sufficient detail the matters considered by the Members and decisions reached, including any concerns raised by any of the Members and any dissenting views expressed.

9.4 Full minutes of Meetings should be kept by the Secretary. Draft and final versions of minutes of the Meetings should be sent to all Members for their comment and records within a reasonable time after the Meeting.

## **10. Annual General Meeting**

The Chairman or in his/her absence, another Member or failing that his/her duty appointed delegate shall attend the annual general meeting of the Company so as to be available to answer questions from shareholders on matters within the scope of duties of the Committee.

## 11. Duties

The duties of the Committee should include the following:-

### 11.1 Relationship with the Company's external 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 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

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

- (a) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, where appropriate, 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 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;
- (b) Regarding (a) above:-
- (i) Members should liaise with the Board and Senior Management and the Committee must meet, at least twice a year, with the Company's auditors; 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 or auditors;

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

- (a) to review the Company's financial controls, risk management and internal control systems;
- (b) to discuss the risk management and internal control systems with management of the Company 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 function;

- (c) to consider major investigations 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;
- (d) 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;
- (e) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (f) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters and provisions set out in Code Provision C3.3 of Appendix 14 of the Listing Rules; and
- (i) to consider other topics, as defined by the Board;

#### 11.4 Relationship with the employees and those who deal with the Company

- (a) to review arrangements 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;

- (b) to act as the key representative body for overseeing the Company's relations with the external auditors;
- (c) to review a whistleblowing policy adopted on 30 June 2014 on an on-going basis; and
- (d) to review an anti-bribery and anti-corruption compliance policy adopted on 30 June 2014 on an on-going basis.

## **12. Reporting procedures**

- 12.1 The Committee shall report to the Board on its proceedings decisions and recommendations after each Meeting on all matters within its duties and responsibilities unless there are legal or regulatory restrictions on the Committee's ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 12.2 The Committee shall make recommendations to the Board that it deems appropriate on any area within its scope of duties where action or improvement is needed.
- 12.3 The Secretary shall circulate the minutes of Meetings and reports of the Committee to all members of the Board.
- 12.4 When the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Board should include in the Corporate Governance Report a statement from the Committee explaining its recommendations and also the reasons why the Board has taken a different view.

## **13. Further amendments and availability of the Terms**

- 13.1 The Committee shall, from time to time, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and

recommend any changes it considers necessary to the Board for approval.

13.2 The Terms may be reviewed by the Board from time to time taking into consideration the operations of the Committee and its contribution to the corporate governance of the Company, as well as any amendments to the Listing Rules from time to time.

13.3 The Committee shall make available these Terms by including them on the respective websites of the Stock Exchange and of the Company.

\*\*\* THE END \*\*\*