

**CHINNEY INVESTMENTS, LIMITED**  
**(the “Company”)**

**Terms of Reference for Audit Committee (the “Committee”)**  
(Revised and adopted by the Board on 30th March, 2012)

**Membership**

1. The Committee shall be appointed by the board of directors of the Company (the “Board”) from amongst the non-executive directors of the Company and shall consist of not less than three members, 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 of The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
2. The majority of the Committee members must be independent non-executive directors of the Company.
3. The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors.

**Attendance at Meetings**

4. The senior finance executives of the Group and a representative of the external auditors shall normally attend the 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 present.
5. The Company Secretary shall be the secretary of the Committee. The secretary of the Committee or in his/her absence, his/her representative or any one member shall be the secretary of the meetings of the Committee.

**Frequency of Meetings**

6. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

**Proceeding of Meetings**

7. The quorum of meetings shall be any two members.
8. Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communication equipments by means of which all persons participating in the meeting are capable of communicating with each other.
9. A resolution in writing signed by all the members of the Committee shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

**Authority**

10. The Committee is authorized by the Board:-
  - (a) to investigate any activity within its Terms of Reference, and the executive directors shall ensure that members of the Committee are provided with full and unlimited access to all books and accounts of the Group;

- (b) to seek any information it requires from any employee, consultant or adviser of the Group, and all employees, consultants and advisers of the Group are directed to co-operate with any request made by the Committee;
- (c) to obtain advices from outside legal or other independent professional advisers whose fees and expenses shall be borne by the Company, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (d) to obtain sufficient resources from the Company to perform its duties.

## **Duties**

11. The duties of the 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 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;

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

- (d) 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: -
  - (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;

- (e) Regarding (d) above:-
  - (i) 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
  - (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;

*Oversight of the Company's financial reporting system and internal control procedures*

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;
- (h) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) 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;
- (j) to review the Group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in this code provision (in respect of Audit Committee) pursuant to Appendix 14 of the Listing Rules;
- (n) to consider other topics, as defined by the Board;
- (o) 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; and

- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

**Reporting procedures**

12. The Company Secretary should keep full minutes of Committee meetings. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.
13. Minutes of the meetings shall be open for inspection by other members of the Board.