



le saunda holdings ltd.

萊爾斯丹控股有限公司

*(Incorporated in Bermuda with limited liability)*

## **Audit Committee Terms of Reference**

Revised on 10 December 2018

### **1 Constitution**

The board (the “**Board**”) of directors (the “**Directors**”) of Le Saunda Holdings Limited (the “**Company**”) hereby constitutes and establishes an audit committee (the “**Audit Committee**”) with authority, responsibility, and specific duties as described below.

### **2 Membership**

- 2.1 Members of the Audit Committee shall be appointed by the Board in consultation with the Chairman of the Audit Committee. The Audit Committee shall consist of not less than three (3) members comprising non-executive Directors.
- 2.2 The majority of the members of the Audit Committee shall be independent non-executive Directors and 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 Rule 3.10(2) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Chairman of the Board shall not be a member of the Audit Committee.
- 2.3 The external auditors will be invited to attend meetings of the Audit Committee on a regular basis.
- 2.4 The Board shall appoint the Audit Committee Chairman who must be an independent non-executive Director and who shall chair meetings of the Audit Committee. In the absence of the Audit Committee Chairman and/or an appointed deputy at a meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 2.5 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two (2) years commencing on 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 the later.

### **3 Secretary**

The company secretary of the Company or his nominee shall be the secretary of the Audit Committee.

### **4 Quorum**

The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

## **5 Notice of Meetings**

- 5.1 Meetings of the Audit Committee shall be summoned by the secretary of the Audit Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee, any other person required to attend, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Audit Committee members and to other attendees as appropriate, at least 3 days before the date of the meeting.

## **6 Responsibility**

- 6.1 The function of the Audit Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.
- 6.2 The Audit Committee should serve as a focal point for communication between other Directors, the external auditors, and the management as their duties relate to financial and other reporting, risk management and internal controls, and the audits.

## **7 Authority**

- 7.1 The Audit Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Audit Committee.
- 7.2 The Audit Committee shall be provided with sufficient resources to discharge its duties. In particular, it is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense on any matter within its terms of reference.
- 7.3 The Audit Committee is authorised to call any employee to be questioned at a meeting of the Audit Committee as and when required and to seek any information it requires from any employee of the Company in order to perform its duties.
- 7.4 The Audit Committee is authorised 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 audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 7.5 The Audit Committee is authorised to act as the key representative body for overseeing the Company's relations with the external auditor.

## **8 Duties**

The Audit Committee should carry out the duties below for the Company, its parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

### **8.1 Financial Reporting**

- 8.1.1 The Audit Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports and accounts, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain before submission to the Board. The Audit Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

8.1.2 In relation to 8.1.1 above:

- (a) 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
- (b) the Audit 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.

8.1.3 The Audit Committee shall review the Group's financial and accounting policies and practices and shall review and challenge where necessary:

- (a) the consistency of, and any changes to, accounting policies and practices both on a year-on-year basis and across the Company or the Group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible and other major judgmental areas;
- (c) whether the Company has followed appropriate operating, financial and accounting policies and standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- (d) any significant adjustments resulting from audit;
- (e) the going concern assumption and any qualifications;
- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (g) compliance with accounting standards;
- (h) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- (i) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

## **8.2 Risk Management and Internal Control Systems**

The Audit Committee shall:

- (a) keep under review and discuss with the management the effectiveness of the Company's financial controls, risk management and internal control systems;
- (b) 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;
- (c) review and approve the statements to be included in the annual report concerning risk management and internal controls; and
- (d) 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 function.

### **8.3 Internal Audit**

The Audit Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (b) approve the appointment and removal of the head of the internal audit function;
- (c) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit Committee shall also ensure the internal audit function has adequate standing and is free from management or other restrictions;
- (d) review and assess the annual internal audit plan;
- (e) review periodically reports on the Company from the internal auditors;
- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditors; and
- (g) meet the head of internal audit at least once a year to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Audit Committee.

### **8.4 External Audit**

8.4.1 The Audit Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Audit Committee shall oversee the selection process for new auditors and the Audit Committee shall investigate the issues leading to the resignation or dismissal of an auditor and decide whether any action is required;
- (b) oversee the relationship with the external auditor including (but not limited to):
  - (i) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - (iv) developing and implementing policy on the engagement of external auditor to supply non-audit services, and reporting and identifying any matters to the Board in respect of any matters which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
  - (v) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);

- (vi) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
  - (vii) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
  - (viii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process;
- (c) meet regularly with the external auditor, including once before the audit commences to discuss the nature and scope of the audit and reporting obligations, and once after the audit at the reporting stage;
  - (d) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement; and
  - (e) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
    - (i) a discussion of any major issues which arose during the audit;
    - (ii) any accounting and audit judgements; and
    - (iii) levels of errors identified during the audit.

8.4.2 The Audit Committee shall also review the effectiveness of the audit, and:

- (a) review any representation letter(s) requested by the external auditor before they are signed by management;
- (b) 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;
- (c) ensure that the board will provide a timely response to the issues raised in the external auditors' management letter; and
- (d) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

## **8.5 Reporting Responsibilities**

8.5.1 The Audit Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.5.2 The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.5.3 The Audit Committee shall report to the Board on the matters set out in the Corporate Governance Code (Appendix 14 to the Listing Rules).

8.5.4 Other Matters

8.5.5 The Audit Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to applicable laws and regulations, the requirements of the Listing Rules (including, among others, Appendix 14 thereto), and other topics as defined by the Board;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- (f) regularly review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **9 Frequency of meetings**

- 9.1 The Audit Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 9.2 The external auditors may request a meeting if they consider that one is necessary.

## **10 Attendance**

- 10.1 Only members of the Audit Committee have the right to attend Audit Committee meetings. However, other individuals such as the Chairman of the Board, the Chief Executive, chief financial officer or finance director, other Directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 10.2 Meetings can be held by way of telephone or video conference.

## **11 Minutes**

- 11.1 The secretary of the Audit Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 11.2 The secretary of the Audit Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 11.3 Draft and final versions of minutes of the meetings shall be sent to all members of the Audit Committee for their comment and records respectively in both cases within a reasonable time after the meeting.
- 11.4 Full minutes of the Audit Committee shall be kept by the secretary of the Audit Committee and such minutes shall be open for inspection at any reasonable time on reasonable notice by any Director.

## **12 Annual General Meeting**

The Chairman of the Audit Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Audit Committee's activities.

## **13 General**

The Audit Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board.

## **14 Language**

This document is drawn up in both English language and Chinese language. If there is any inconsistency between the English version and the Chinese version of this document, the English language text shall prevail.