

# Excel

TECHNOLOGY

**EXCEL TECHNOLOGY INTERNATIONAL HOLDINGS LIMITED**

**(志鴻科技國際控股有限公司)\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8048)

## **Terms of Reference for the Audit Committee**

The Company has established an Audit Committee on 11 August 2000 with written terms of reference.

Pursuant to the issuance of the Corporate Governance Code and Corporate Governance Report (the “Code”) under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (“GEM Listing Rules”), the board of directors (“the Board”) of the Company has adopted with effect from 21 March 2012 these revised terms of reference of the Audit Committee in accordance with such Code.

### **1. Membership**

- 1.1 Members of the Audit Committee shall be appointed by the Board of the Company.
- 1.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Audit Committee must be independent non-executive directors (“INEDs”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under the GEM Listing Rules.
- 1.4 The Chairman of the Audit Committee shall be appointed by the Board and must be an INED.
- 1.5 The Company Secretary of the Company shall act as the secretary of the Audit Committee.

### **2. Proceedings of the Meetings**

#### **2.1 Quorum**

- 2.1.1 The quorum for meetings of the Audit Committee shall be any two members.

*\* For identification purpose only*

## **2.2 Frequency of Meetings**

- 2.2.1 The Audit Committee shall hold at least four regular meetings in a year to review and discuss the quarterly, interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.
- 2.2.2 The Audit Committee shall meet with the external auditors at least twice a year. The external auditors may request a meeting if they consider necessary.

## **2.3 Attendance at Meetings**

- 2.3.1 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 communications equipment or through electronic means of communications by means of which all persons participating in the meeting are capable of hearing each other.
- 2.3.2 At least once a year, representatives of the Company's external auditor will meet the Audit Committee without any Executive Directors 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.
- 2.3.3 At the invitation of the Audit Committee, the following persons may attend the meeting: Group Financial Controller; a representative from Internal Audit; and other members of the Board.
- 2.3.4 Only Members of the Audit Committee are entitled to vote at the meetings.

## **2.4 Notice of Meetings**

- 2.4.1 A meeting of the Audit Committee may be convened by any of its members or by the company secretary.
- 2.4.2 Unless otherwise agreed by the members of the Audit Committee, notice of at least 14 days shall be given for a regular meeting of the Audit Committee. For all other meetings of the Audit Committee, reasonable notice shall be given.
- 2.4.3 Agenda and accompanying supporting papers shall be sent to all members of the Audit Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

## **2.5 Minutes of Meetings**

2.5.1 Draft and final versions of minutes of Audit Committee Meetings shall be sent to all Audit Committee members for their comment and records within a reasonable time after the Meeting.

2.5.2 Minutes of the Audit Committee shall be kept by the Company Secretary and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.

## **2.6 Written Resolutions**

2.6.1 Without prejudice to any requirement under the GEM Listing Rules, written resolution may be passed and adopted by all members of the Audit Committee.

## **3. Annual General Meeting**

3.1 The Chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Audit Committee's work and responsibilities.

## **4. Duties**

The Audit Committee shall perform the following duties:

### *Relationship with the Company's External Auditors*

4.1 to be primarily responsible for making recommendation 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 resignation or dismissal;

4.2 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;

4.3 to develop and implement policy on engaging of 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;

*Review of the Company's financial information*

- 4.4 to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, 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:
- (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with GEM Listing Rules and other legal requirements in relation to financial reporting;
- 4.5 Regarding 4.4 above:-
- (a) members of the Audit Committee should liaise with the Company's Board, 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;

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

- 4.6 to review the Company's financial controls, internal control and risk management systems;
- 4.7 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;
- 4.8 to consider major investigations findings of internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 4.9 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;
- 4.10 to review the Group's financial and accounting policies and practices;

- 4.11 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;
- 4.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 4.13 to report to the board on the matters in this code provision; and
- 4.14 to consider other topics, as defined by the Board.

## **5. Authority**

- 5.1 The Audit Committee is authorised by the Board to inspect all accounts, books and records of the Company.
- 5.2 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 duties.
- 5.3 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/her duties as a Member of the Audit Committee to the Company.
- 5.4 The Audit Committee shall be provided with sufficient resources to perform its duties.

## **6. Reporting Procedures**

- 6.1 The Audit Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the Chairman of the Audit Committee shall report to the Board on the findings and recommendations of the Committee.

## **7. Publication of the Terms of Reference**

- 7.1 The terms of reference will be posted on the websites of the Company and The Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. A copy of the terms of reference will be made available to any person without charge upon request.