

TAI SHING

Tai Shing International (Holdings) Limited

泰盛國際(控股)有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8103)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Membership

1. The audit committee (the “Committee”) shall be appointed by the board of directors (the “Board”) of Tai Shing International (Holdings) Limited (the “Company”) from amongst the non-executive Directors and shall consist of not less than three members, at least one of whom is an independent non-executive Director with appropriate qualifications or accounting or related financial management expertise as required under rule 5.05(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).
2. The majority of the members of the Committee shall be independent non-executive Directors.
3. The term of membership shall be one year from the date of appointment subject to renewal and shall be governing by the provisions of the bye-laws of the Company.
4. The appointment of members of the Committee may be revoked, and new member scan be appointed in place by resolutions passed by the Board and by the Committee.
5. No alternative Committee member shall be appointed.

Attendance at meetings

6. The chief financial officer of the Group (or any officer(s) assuming the relevant functions but having a different designation), the head of internal audit, and are presentative of the external auditors shall normally attend meetings. Other Board members may be invited to attend a particular meeting in order to answer specific points or concerns. Where an internal audit function exists, the Head of Internal Audit should normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors without the presence of any of the executive Directors.
7. The company secretary shall be the secretary of the Committee.

Frequency of meetings

8. Meetings shall be held not less than twice a year. Additional meetings should be held as and when the Committee considers necessary.
9. The Chairman of the Committee may convene additional meetings at his discretion.
10. The external auditors may also request a meeting if they consider that one is necessary.
11. The quorum of a meeting shall be two independent non-executive Directors.
12. Proceedings of meetings of the Committee shall be governed by the provisions of the Bye-laws of the Company.

Authority

13. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
14. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
15. The Committee shall report to the Board on any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which consider to its attention.

Duties

16. The Committee is to serve as a focal point for communication between other Directors, the external auditors and the internal auditors (where an internal audit function exists) as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time.
17. The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company and its subsidiaries (the “Group”), overseeing the audit process and performing other duties and responsibilities as assigned by the Board.
18. The duties of the Committee shall be:
 - (a) to consider the appointment of the external auditor, the performance of the external auditors, the audit fee and any questions of resignation or dismissal of the external auditor;

- (b) review with the Group's management, external auditors and internal auditors, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the directors on such system to be included in the annual accounts prior to endorsement by the Board;
- (c) have familiarity, through the individual efforts of its members, with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (d) prior to its commencement, review the scope of the external audit, including the engagement letter. The Committee's review should include an understanding, from the external auditors of the factors considered by them in determining their audit scope. The external auditors' fees are to be negotiated with management, and presented to the Committee's review annually;
- (e) review the extent of non-audit services provided by the external auditors in relation to their independence;
- (f) review the interim report and annual report prior to approval by the Board, with particular focus on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) compliance with accounting standards;
 - (v) compliance with the listing requirements of The Stock Exchange of Hong Kong Limited and legal requirements;
 - (vi) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group;
 - (vii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;
 - (viii) The cash flow position of the Group; and
 - (ix) to provide advice and comments there on to the Board
- (g) review the draft representation letter prior to approval by the Board;
- (h) review and consider the budget, revised budget prepared by the Board;

- (i) evaluate the cooperation received by the external auditors, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditors to the Group's needs; inquire of the external auditors as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (j) discuss with the external auditors any relevant recommendations arising from the audit; and review the draft management letter including management's response to the points raised;
- (k) when the auditors supply a substantial volume of non-audit services to the Group, to keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (l) discuss with management the risk management and internal control systems and ensure that management has discharged its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (m) appraise the Board of significant developments in the course of performing the above duties;
- (n) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (o) 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;
- (p) (where an internal audit function exists) review the internal audit program, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- (q) consider other topics, as defined or assigned by the Board from time to time.

Reporting procedures

19. The Committee should report to the Board on a regular basis.
20. The secretary of the Committee shall circulate the minutes of meetings and all written resolutions of the Committee to all members of the Board, keeping the Board informed of the Committee's activities, decisions and recommendations on a regular basis.
21. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.

22. Reports to the Board and minutes of the Committee should be approved by the Committee before submitting to the Board.

Powers of the Board

23. The Board may, subject to compliance with the bye-laws of the Company and the GEM Listing Rules, amend, supplement and revoke the terms of reference contained herein and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if the terms of reference contained herein or resolution had not been amended or revoked.