



# 長城環亞控股有限公司\*

## GREAT WALL PAN ASIA HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 583)**

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE** **(Revised and approved by Board resolution on 30 August 2018)**

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#### **1. CONSTITUTION**

- 1.1 The board (the “Board”) of directors (the “Directors”) of Great Wall Pan Asia Holdings Limited (the “Company”) resolved to establish a Committee of the Board known as the Audit Committee on 11 September 1998.

#### **2. MEMBERSHIP**

- 2.1 The Audit Committee shall be appointed by the Board from amongst the non-executive Directors of the Company only and should comprise a minimum of three members, at least one of whom is an independent non-executive Director with such qualifications or expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”). The majority of committee members should be independent non-executive Directors of the Company.
- 2.2 A former partner of the Company’s existing auditing firm shall not act as a member of the Audit Committee until two years after the commencement of the later of the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm.
- 2.3 Each appointment to the Audit Committee shall be for a period of up to three years.

#### **3. CHAIRMAN**

- 3.1 The Board shall appoint the chairman of the Audit Committee. The chairman must be an independent non-executive Director. The chairman has the responsibility of liaising with the Board.
- 3.2 The chairman of the Audit Committee shall chair the meetings of the Audit Committee.
- 3.3 In the absence of the chairman of the Audit Committee, the remaining members present shall elect one of themselves to chair the meetings of the Audit Committee.

\* *For identification purpose only*

#### **4. QUORUM AND VOTING OF MEETINGS**

- 4.1 The quorum of Audit Committee meetings shall be two members. If only two members are in attendance, then both members shall be independent non-executive Directors. If more than two members are in attendance, then a majority of the members shall be independent non-executive Directors.
- 4.2 Questions arising in any meetings shall be decided by a simple majority of votes.

#### **5. ATTENDANCE OF MEETINGS**

- 5.1 The Audit Committee members may attend meetings of the Audit Committee either in person or through other electronic means of communication (if made available by the Company). Should any member of the Audit Committee wish to attend a meeting through electronic communications, prior arrangements shall be made with the secretary of the Audit Committee.
- 5.2 The Chief Executive Officer and the Chief Financial Officer shall normally attend meetings, with a representative of the external auditors invited at least twice a year who will have an opportunity to speak to the Audit Committee without the Chief Executive Officer and the Chief Financial Officer in attendance if so required by the Audit Committee members.
- 5.3 The Company Secretary shall be the secretary of the Audit Committee.

#### **6. FREQUENCY OF MEETINGS**

- 6.1 Meetings shall be held not less than two times a year. Any Audit Committee member may convene a meeting of the Audit Committee and invite any representative of the external auditors to attend the same in the absence of any executive Director or any member of the management of the Company. The external auditors may make the request to the chairman of the Audit Committee to convene a meeting of the Audit Committee and the chairman of the Audit Committee shall have the discretion whether or not to convene such a meeting and decide on the date, time and venue of such meeting.

#### **7. NOTICE OF MEETINGS**

- 7.1 Meetings of the Audit Committee shall be convened by the secretary of the Audit Committee at the request of any of its members.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be sent to each member of the Audit Committee, and to any other person required to attend:
- 7.2.1 in relation to all regular meetings of the Audit Committee, at least 14 days before the date of the meeting; and
- 7.2.2 in relation to all other meetings of the Audit Committee, within a reasonable time prior to the date of the meeting.

7.3 An agenda of items to be discussed, together with supporting papers shall be sent to Audit Committee members and to other attendees as appropriate within a reasonable time prior to the date of the meeting.

7.4 Any member of the Audit Committee shall be entitled, by notice to the secretary of the Audit Committee, to include other matters relevant to the functions of the Audit Committee in the agenda of an Audit Committee meeting.

## **8. MINUTES OF MEETINGS**

8.1 The secretary of the Audit Committee (or his/her delegate) in attendance at the meetings of the Audit Committee shall prepare minutes in sufficient detail of the proceedings and resolutions of all such meetings, including the names of those present and in attendance. The minutes should also include any concerns raised by any member of the Audit Committee and/or dissenting views expressed.

8.2 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. The relevant member of the Audit Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Audit Committee in which he/she and/or his/her associates have a material interest.

8.3 Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comments and records respectively, within a reasonable time after the meeting. Once they are agreed, the secretary of the Audit Committee shall circulate the minutes and reports of the Audit Committee to all members of the Board.

8.4 Minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee and shall be available for inspection by any member of the Audit Committee and/or any Director of the Company at any reasonable time on reasonable notice.

## **9. ANNUAL GENERAL MEETINGS**

9.1 The chairman of the Audit Committee shall endeavour to attend the annual general meetings of the Company and be prepared to respond to any shareholder questions on the Audit Committee's activities.

9.2 If the chairman of the Audit Committee is unable to attend an annual general meeting of the Company, he/she shall arrange for another member of the Audit Committee, or failing this, his/her duly appointed delegate, to attend in his/her place. Such person shall be prepared to respond to any shareholder questions on the Audit Committee's activities.

9.3 Management shall ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

## **10. REPORTING RESPONSIBILITIES**

- 10.1 After each meeting, the chairman of the Audit Committee shall report formally to the Board on all matters within its duties and responsibilities.
- 10.2 The Audit Committee shall make whatever recommendations it deems appropriate to the Board on any area within its remit where action or improvement is needed.
- 10.3 Where the Board disagrees with the Audit Committee's views on the selection, appointment and resignation or dismissal of the external auditor, the Audit Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its recommendations. The Board shall include in the same report the reason(s) why the Board takes a different view.
- 10.4 The Audit Committee shall, with the assistance of the secretary of the Audit Committee, compile a report to shareholders on its role and activities which will be included in the Company's Corporate Governance Report.

## **11. LINE OF COMMUNICATION**

- 11.1 The chairman of the Audit Committee shall give instructions (through the Chief Executive Officer or the Chief Financial Officer) to conduct reviews on areas of possible concern to be performed by the auditors that provide internal audit services or, if established, the Company internal auditor.

## **12. AUTHORITY**

- 12.1 The Audit Committee is authorised by the Board:
  - 12.1.1 to investigate any activity within its terms of reference;
  - 12.1.2 to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee; and
  - 12.1.3 subject to the Company's procedure for seeking external advice, 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.

## **13. DUTIES**

- 13.1 The duties of the Audit Committee shall be:
  - 13.1.1 to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any question of its resignation or dismissal;

- 13.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;
- 13.1.3 to develop and implement policy on engaging an external auditor to supply non-audit services, and to report to the Board and to identify and make recommendations on any matters where action or improvement is needed;
- 13.1.4 to review and monitor the integrity of financial statements of the Company and the Company's annual report and accounts and half-year report and review significant financial reporting judgements contained therein, and to review the half-year and annual financial statements before submission to the Board, focusing particularly on:
- (i) any changes in accounting policies and practices;
  - (ii) major judgemental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) 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;
- 13.1.5 regarding 13.1.4 above, the Audit Committee members shall liaise with the Board and senior management of the Company and the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and to give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, external auditor, compliance officer or internal control officer;
- 13.1.6 to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- 13.1.7 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;
- 13.1.8 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 13.1.9 to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;

- 13.1.10 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 13.1.11 to review the Company's statement on internal control systems (if any) in the Company's annual reports prior to endorsement by the Board;
- 13.1.12 where an internal audit function exists, to review the internal audit programme, 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 Company, and to review and monitor its effectiveness;
- 13.1.13 to 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;
- 13.1.14 to review the Group's financial and accounting policies and practices;
- 13.1.15 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 13.1.16 to act as the key representative body for overseeing the Company's relations with the external auditor;
- 13.1.17 to review the Company's Whistleblowing Policy and its revisions implemented from time to time for employees and those who deal with the Company (such as customers and suppliers) to raise concerns, in confidence, with the Chief Executive Officer about possible improprieties in any matter related to the Company;
- 13.1.18 to consider other topics, as defined by the Board; and
- 13.1.19 to report to the Board on the matters set out herein and matters required to be performed by the Audit Committee under the Corporate Governance Code of the Listing Rules and its revisions implemented from time to time.

**14. OTHER**

- 14.1 The Audit Committee shall have access to sufficient resources in order to perform its duties. In the event that the Audit Committee determines that it has insufficient resources, it may make a request for additional resources to the Board through the Company Secretary.
- 14.2 All members of the Audit Committee shall have access to the advice and services of the secretary of the Audit Committee with a view to ensuring that procedures of the Audit Committee and all applicable laws, rules and regulations are followed.
- 14.3 Any member of the Audit Committee may require access to outside legal or other independent professional advice in connection with his/her duties at the Company's expense. All such requests shall be processed in accordance with the Company's procedures for seeking independent professional advice by Directors.
- 14.4 Every member of the Audit Committee shall give sufficient time and attention to his/her duties as a member of the Audit Committee. He/she shall give the Company the benefit of his/her skills and expertise through regular attendance and active participation.