



Belle International Holdings Limited
百麗國際控股有限公司

TERMS OF REFERENCE FOR THE
AUDIT COMMITTEE
審核委員會職權範圍書

(adopted on 27 April 2007)
(於 2007 年 4 月 27 日採納)

Committee Members

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| Committee members: 委員會成員: | Independent Non-Executive Directors 獨立非執行董事 | |
| | Mr. Ho Kwok Wah, George Mr. Chan Yu Ling, Abraham Dr. Xue Qiuzhi | 何國華先生 陳宇齡先生 薛求知博士 |
| Chairman of the Committee: 委員會主席: | Mr. Ho Kwok Wah, George | 何國華先生 |
| Secretary of the Committee: 委員會秘書: | Mr. Leung Kam Kwan | 梁錦坤先生 |

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1 Constitution

- 1.1 The Audit Committee (“the Committee”) was established in 2007 pursuant to a resolution passed by the board of directors (“the Board”) of Belle International Holdings Limited (“the Company”) at its meeting held on 27 April 2007.

2 Function and Objective

- 2.1 The Committee is responsible for reviewing the internal control, the work done by internal and external auditors, and risk alertness and management.
- 2.2 The Committee shall ensure the objectivity and credibility of financial reporting, and that the directors have exercised due care, diligence and skills as prescribed by law, in presenting results to the shareholders.

3 Membership

- 3.1 Members of the Committee shall be appointed by the Board in consultation with the chairman of the Committee. In the absence of the chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 3.2 The Committee shall be made up of at least three members.
- 3.3 All members of the Committee shall be non-executive directors, a majority of whom shall be independent non-executive directors and at least one of the independent non-executive directors shall have recent and relevant financial experience as required under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Listing Rules”).
- 3.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of 1 year commencing on the date of his ceasing:
- i. to be a partner of the firm; or
 - ii. to have any financial interest in the firm,
- whichever is the later.
- 3.5 Appointments to the Committee shall be co-terminus with the directorship of the relevant members (whether by retirement, rotation or otherwise).
- 3.6 The Board shall appoint the chairman of the Committee who shall be an independent non-executive director.

4 Secretary

- 4.1 The Company Secretary of the Company shall be the secretary of the Committee. In the absence of the Company Secretary in any meeting of the Committee, the Committee shall appoint any other person to act as the secretary of the meeting of the Committee.
- 4.2 The secretary of the Committee must ensure that full minutes are kept of all meetings.

5 Attendance at meetings

- 5.1 The finance director, the head of Internal Audit Department, and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance.
- 5.2 The quorum necessary for the transaction of the business of the Committee shall be two, but if only two members are in attendance, then both members shall be independent non-executive directors and if more than two members are in attendance, a majority must be independent non-executive directors. A duly convened meeting of the 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 Committee.
- 5.3 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of communication equipment through which all persons participating in the meeting are able to hear each other.
- 5.4 A resolution in writing signed by all members of the Committee shall be as valid and effective as if the same had been passed at a meeting of the Committee duly convened and held. Any such resolution shall be deemed to have passed at a meeting held on the date on which it was signed by the last member to sign.
- 5.5 Only members of the Committee are entitled to vote at the meetings.
- 5.6 Resolutions of the Committee shall be passed by a majority of votes of the members present.

6 Frequency of meetings

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

7 Authority

The Committee is authorized by the Board:

- 7.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 7.2 to obtain, subject to prior discussion concerning the cost, outside legal or other professional advice on any matter within its terms of reference; and
- 7.3 to call any employee to be questioned at a meeting of the Committee as and when required.

8 Duties

The Committee should carry out the duties below (as may from time to time be varied or supplemented by the Board) for the Company and its subsidiaries and the group as a whole, as appropriate:

Relationship with the Company's auditors

- 8.1 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 of that auditor;
- 8.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss, where necessary, 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;
- 8.3 to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

- 8.4** to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, focusing particularly on:
- i. any changes in accounting policies and practices;
 - ii. major judgmental areas;
 - iii. adequacy of disclosure, consistency within the financial statements and with prior disclosures;
 - iv. significant adjustments resulting from the audit;
 - v. the going concern assumptions and any qualifications;
 - vi. compliance with accounting standards; and
 - vii. compliance with the Listing Rules and other legal requirements in relation to financial reporting.
- 8.5** In regard to 8.4 above:-
- i. members of the Committee must liaise with the Company's Board, senior management and the person appointed as the Company's qualified accountant and the Committee must meet, at least once 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 such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

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

- 8.6** to review the Company's financial controls, internal control and risk management systems;
- 8.7** to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- 8.8** to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- 8.9** 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 the effectiveness of the internal audit function;
- 8.10** to review the Group's financial and accounting policies and practices. Special meetings may be called at the discretion of the chairman of the Committee or at the request of the senior management to review significant control or financial issues;

- 8.11 to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- 8.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 8.13 to report to the Board on the matters set out in the Code on Corporate Governance Practices of the Listing Rules;
- 8.14 to review management's and internal auditor's reports on the effectiveness of systems for internal control and financial reporting;
- 8.15 to make recommendation to the Board on the resolution of any disagreements between management and the external auditor regarding financial reporting;
- 8.16 to discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary); and
- 8.17 to consider other topics, as defined by the Board.

9 Reporting procedures

- 9.1 The secretary shall circulate the draft and final versions of minutes of meetings and reports of the Committee to all Board members for their comment and records respectively, in both cases within a reasonable time after the meeting.