

## Terms of Reference for Audit Committee

### 1. Constitution

The Board approved the establishment of the Committee on 5 May 1998.

### 2. Membership

- 2.1 Members of the Committee shall be appointed by the Board from amongst the non-executive Directors. All members of the Committee should be non-executive Directors and a majority of them shall be independent non-executive Directors. The Committee shall consist of not less than three members, 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 Listing Rules.
- 2.2 The Committee chairman shall be independent non-executive Director. In the absence of the Committee chairman, the remaining members present shall elect one of their members to chair the meeting.

### 3. Secretary

The company secretary shall be the secretary of the Committee. In the absence of the Committee secretary, the Committee chairman shall nominate a person as Committee secretary to the meeting.

### 4. Attendance at meetings

The head of the finance department of the Company and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external and internal auditors without executive Board members present.

### 5. Quorum

The quorum necessary for the transaction of business shall be two.

### 6. Frequency of meetings

The Committee shall meet as and when necessary but such meetings shall be held at least twice a year. The external auditors may also request a meeting if they consider necessary.

### 7. Notice of meetings

Unless otherwise agreed, notice of each Committee meeting shall be given to each Committee member at least 14 calendar days before the date of the meeting. As far as practicable, an agenda and accompanying materials shall be forwarded to each member at least 3 working days before the date of the meeting.

### 8. Minutes of Meetings

- 8.1 Minutes of Committee meetings shall be kept by the Committee secretary. Upon receiving reasonable notice, such minutes should be open for inspection by any Committee member or Board members.
- 8.2 Draft and final versions of minutes of Committee meetings shall be circulated to all Committee members for their comment within a reasonable time after each meeting and once the final version is signed by Committee chairman of the meeting, the same shall be circulated to all members of the Board.

### 9. Communication with shareholders

The Committee chairman shall, as far as practicable, attend the annual general meeting of the Company and make himself available to answer questions at the annual general meeting.

## **10. Authority**

- 10.1 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, director, agent or advisor and all such persons are directed to co-operate with any request made by the Committee.
- 10.2 The Committee shall have unrestricted access to the executive directors, other executive officers or employees, the External Auditors and Internal Auditors. The External auditors and Internal auditors shall have the right to consult the Committee without reference to management. The Committee shall also have the right to consult the External auditors and Internal auditors without reference to the management or the management without reference to the External Auditors and Internal Auditors.
- 10.3 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.

## **11. Duties**

The duties of the Committee include:

### **(a) Internal audit**

- to conduct annual audit planning reviews and establish internal audit program in respect of the Group with the Internal Auditors;
- to conduct at least annual audit activity review with the Internal Auditors to discuss and review any significant events and findings of the Internal Auditors;
- to ensure that co-ordination between the Internal and External Auditors is adequate and that adequate resources are available to carry out the internal control function;
- to review and monitor the effectiveness of the internal control system, the internal audit function and the annual audit plan based on a risk methodology process;
- to meet the Internal Auditors on an ad-hoc basis whenever the Internal Auditors conclude that a financial safeguard measure warrants special review by the Committee;

### **(b) External Auditors**

- to make recommendation to the Board on the appointment, reappointment and removal of the External Auditors, and to approve the remuneration and terms of engagement of the External Auditors, and any questions of its resignation or dismissal;
- to oversee the Company's relations with the External Auditors;
- to review the External Auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with the External Auditors the nature and scope of the audit and reporting obligations before the audit commences;
- to review the work of the External Auditors (including the resolution of any disagreement between management and the External Auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, the scope of their audit and any other services and approve the fees for the terms of their services. Such review should include:

- i) propose to the External Auditors the performance of any supplementary audit activities deemed by the Committee to be appropriate;
  - ii) review with the External Auditors recent or anticipated developments in accounting principles or reporting practices that may affect the Company or the scope of the audit; and
  - iii) discuss major anticipated audit problems, if any;
- to review results of audits performed by the External Auditors including any changes in accounting procedures and/or the internal controls system noted or developed during the audit along with matters of controversy, if any, with management. For any significant control weaknesses noted by the External Auditors, determine and recommend appropriate action required to rectify such weaknesses to the Board;
  - to meet with the External Auditors on an ad-hoc basis whenever the External Auditors consider it necessary to review any accounting, financial reporting or internal control matter with the Committee;
  - to review the External Auditors' management letter, any material queries raised by the External Auditors to management about accounting records, financial accounts or systems of control and management's responses;
  - to ensure that the Board through the management will provide a timely response to the issues raised in the External Auditors' management letter;
  - to pre-approve all audit and non-audit services to be performed by the External Auditors and the associated fees, and monitor to ensure that the performance of non-audit services does not impair the independence of the External Auditors in connection with their audit. Each non-audit service to be performed by the External Auditors shall be separately identified in connection with its pre-approval;
  - to conduct annual review of all non-audit services performed by the External Auditors to ensure that such services do not impair the independence of the External Auditors;
- (c) **Financial and other reporting**
- to review and monitor completeness, accuracy and fairness of interim and annual financial statements before submission to the Board with particular regard to changes in accounting policies and practices, major judgmental areas, adequacy of disclosure, consistency within the financial statements and with prior disclosures, any significant audit adjustments, the going concern assumption and any qualifications, compliance with any applicable legal requirements and accounting standards and compliance with the requirements of the Listing Rules and other legal requirements in relation to financial reporting;
  - in respect of the aforesaid review:
    - i) senior management and the External Auditors are invited to attend every meeting;
    - ii) the Committee will meet at least twice a year with the External Auditors;
    - iii) the Committee may invite members of the Board to attend its meeting as appropriate; and
    - iv) the Committee will consider any significant and unusual items that are, or may need to be, reflected in the reports and accounts and will give due consideration to any matters that have been raised by the Company's staff responsible for the accounting

and financial reporting function or auditors;

**(d) Internal control and Risk management**

- to review the financial controls, risk management and internal control systems;
  - 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 should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
  - 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;
  - to review the Group's financial and accounting policies and practices. Meetings may be called at the discretion of the Committee chairman or at the request of senior management to review significant control or financial issues;
  - to review the annual representation letter from the management;
  - to receive, review and act upon any report regarding evidence of any material violation of securities law or breach of fiduciary duty or similar violation by the Company or any agents thereof;
  - to approve and adjust procedures for: (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; and
  - 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action;

**(e) Responding to management needs**

- In addition to the specific areas of financial reporting, audit and internal control, the Committee may consider a wider range of issues or topics. These may be specifically delegated by the Board from time to time.

## **12. Reporting procedures**

- 12.1 The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters discussed.
  - 12.2 The Committee shall make recommendations to the Board where it deems appropriate for any necessary improvement.

## DEFINITIONS

“Board”	the board of Directors
“Committee”	the Audit Committee of the Company

“Company”	Singamas Container Holdings Limited, the shares of which are listed and traded on The Stock Exchange of Hong Kong Limited
“Director(s)”	the director(s) of the Company
“External Auditors”	the independent auditors of the Company as appointed from time to time
“Group”	the Company together with its subsidiaries
“Internal Auditors”	the internal auditors of the Group as appointed by the Committee from time to time for conducting the review of the Group’s accounting and internal control systems
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited