



SIS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 529)

(the “Company”)

Terms of reference of the Audit Committee

Membership

1. The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than three members. A quorum shall be two members.
2. The Chairman of the Committee shall be nominated by the Committee and appointed by the Board.

Attendance at meetings

3. The Finance Director or Chief Finance Officer or Financial Controller shall normally attend and a representative of the external auditors may be invited to attend meetings. Other Board members shall also have the right of attendance. However, at least twice a year the Committee shall meet with the external auditors without executive Board members present.
4. The company secretary shall be the secretary of the Committee.

Frequency of meetings

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

** For identification purposes only*

Authority

6. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
7. The Committee is authorized 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.

Duties

8. The duties of the Committee shall be:
 - (a) to consider the appointment, reappointment and removal of the external auditor, and the audit fee and terms of engagement, and any questions of its resignation or dismissal;
 - (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. To discuss with the external auditor, the nature and scope of the audit and reporting obligations before the audit commences;
 - (c) to develop and implement policy on engaging an external auditor to supply non-audit services. To report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
 - (d) to monitor integrity of the half-year and annual financial statements, and if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with Listing Rules and legal requirements in relation to financial reporting;

- (e) members of the committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the Company's auditors;
- (f) the committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and 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;
- (g) 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 ensure management taking timely response;
- (h) 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; and 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;
- (i) to consider major investigations findings on risk management and internal control matters as delegated by the board or on its own initiative and ensure management taking timely response to those findings;
- (j) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (k) to review the group's financial and accounting policies and practices;
- (l) to report to the Board on the matters in this code provision;
- (m) to consider other topics, as defined by the Board.
- (n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The audit committee should ensure that proper arrangements are in place

- for fair and independent investigation of these matters and for appropriate follow-up action; and
- (o) to act as the key representative body for overseeing the Company's relations with external auditor.

Reporting procedures

9. The secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
10. Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting.

The Chinese version of this document is for reference only. In case of any discrepancies or inconsistency between the English version and Chinese version, the English version prevails.