



MAN YUE TECHNOLOGY HOLDINGS LIMITED
萬裕科技集團有限公司

Terms of Reference
for
the Audit Committee

adopted on 23 June 1999 and amended on 28 September 2004 and 6 December 2011
respectively by the Board of Directors

MAN YUE TECHNOLOGY HOLDINGS LIMITED
(the “Company”)

Terms of Reference for the Audit Committee

Constitution

1. The board of directors of the Company (the “Board”) resolved on 23 June 1999 to establish a committee of the Board known as the Audit Committee (the “Committee”).

Objective

2. The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process and internal control system of the Company.

Membership

3. The members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and shall consist of not less than three members. A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Committee for a period of one year from 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 later.
4. The majority of the members of the Committee shall be independent non-executive directors of the Company. At least one of whom is an independent non-executive director of the Company with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) (the “Listing Rules”).
5. The Committee must be chaired by a Committee member who is an independent non-executive director of the Company.

Committee Secretary

6. The company secretary of the Company shall act as the secretary of the Committee.

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Quorum and voting

7. The quorum of the Committee’s meeting shall be two members, at least one of whom shall be an independent non-executive director of the Company. Questions arising at any Committee’s meeting shall be decided by a majority of votes. In the case of equality of votes, the chairman of the meeting shall have an additional or casting vote.

Attendance at Meetings

8. A representative at managerial level or above from the Finance Department of the Company and a representative of the external auditor of the Company (the “Auditor”) shall normally attend the Committee’s meetings. However, the Committee may invite the Board members and/or other person(s) to attend part or whole of its meetings as necessary to assist it to discharge its duties.

Frequency of Meetings

9. Meetings of the Committee shall be held not less than twice a year. The Auditor may request a meeting if they consider that one is necessary.

Arrangement for and notices of meetings

10. All meetings of the Committee will be called by the secretary or the chairman of the Committee or any person(s) as instructed by the chairman of the Committee, or at the request of the Board.
11. Notices of at least 14 days shall be given to all members of the Committee for regular meetings of the Committee. For all other meetings, reasonable notices shall be given.
12. If any member of the Committee wishes to include any matter in the agenda for a particular regular meeting of the Committee after the issue of the notice of such meeting, he or she may notify the secretary of the Committee the proposed matter(s) in writing within seven days after the notice of the regular meeting is given.

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Minutes of meetings

13. The minutes of meetings of the Committee shall be kept by the secretary of the Committee.
14. The draft and final versions of each minutes of the Committee’s meeting shall be sent to all Committee members for their comments and records within 14 days and a reasonable time respectively after the meeting was held. Minutes of meetings of the Committee are open for inspection by any directors of the Company at the principal place of business of the Company in Hong Kong at any reasonable time after a reasonable prior notice has been served on the secretary of the Committee.

Authority

15. The Committee is authorised by the Board:-
 - (a) to investigate any activity within its terms of reference;
 - (b) to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee; and
 - (c) to engage independent counsel and other independent professional advices as it deems necessary to carry out its duties at the Company’s expenses.
16. 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 of it considers this necessary at the Company’s expenses.

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Duties

17. The duties of the Committee shall be:-

Relationship with the Auditor

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Auditor, and to approve the remuneration and terms of engagement of the Auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the Auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the 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. For this purpose, the external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to act as the key representative body for overseeing the Company’s relations with the Auditor;

Review of financial information of the Company

- (e) to monitor integrity of the financial statements and interim and annual reports and accounts of the Company before submission to the Board, the Committee should focus particularly on:-
 - (i) any changes in accounting policies and practices;

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- (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.
- (f) for the purpose of (e) above:-
- (i) the Committee should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Auditor; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts; 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;

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

- (g) to review the Company’s financial controls, internal control and risk management systems;
- (h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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;

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- (i) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiatives and management’s response to these findings;
- (j) where an internal audit function exists, 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 issuer, and to review and monitor its effectiveness;
- (k) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (l) to review the 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;
- (m) to ensure the Board will provide a timely response to the issues raised in the Auditor’s management letter;
- (n) to report to the Board on the matters set out in the code provisions as set out in Appendix 14 to the Listing Rules;
- (o) to review arrangements where the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial report, 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; and
- (p) to consider other topics, as defined by the Board from time to time.

Reporting procedure

18. The chairman of the Committee shall report formally to the Board on the Committee’s proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its duties and responsibilities where action or improvement is needed.