



LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

百齡國際（控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 8017)

AUDIT COMMITTEE – TERMS OF REFERENCE

Membership

1. The audit committee of the Company (the “Committee”) shall consist of at least three members appointed by the board of directors of the Company (the “Board”), with the majority of the members being independent non-executive directors of the Company.
2. At least one member of the Committee must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited Listing Rules.
3. The chairman of the Committee shall be appointed by the Board.
4. The company secretary of the Company shall be the secretary of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

Attendance and Frequency of Meetings

5. The chief financial officer, the head of internal audit and a representative of the external auditors shall normally attend meetings. Other members of the Board may also attend meetings of the Committee.
6. The Committee shall meet at least four times a year.
7. The Committee shall meet at least once a year with the external auditors. Additional meetings should be held if the Committee considers it necessary or upon request of the external auditors.
8. The quorum of a meeting shall be two members of the Committee.

Authorities

9. The Committee is authorized by the Board:
 - (a) to investigate any activity within its terms of reference;

- (b) to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.
10. The Committee is authorized by the Board where necessary to have access to professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

The Committee shall have the following duties:

- 11. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of resignation or dismissal;
- 12. to review and monitor the external auditors' independence and objectivity;
- 13. to review and monitor the effectiveness of the audit process in accordance with applicable standards; and to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- 14. to develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, the Committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed;
- 15. to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review any significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee shall focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the listing rules and other legal requirements.

In performing its duties set out in this paragraph, the Committee should consider any significant or unusual items that are, or may need to be, reflected in report 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. In addition, the Committee members should liaise with the Board and senior management.

16. to oversee the Company's financial reporting system and internal control procedures:
 - (i) to review the Company's financial controls, internal control and risk management systems;
 - (ii) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system;
 - (iii) to consider major investigations findings on internal control matters as delegated by the board or on its own initiative and management's response to these findings;
 - (iv) where an internal audit function exists, to review the internal audit plan and ensure co-ordination between the internal and external auditors. The Committee shall also ensure that the internal audit function is adequately resourced and has appropriate standing within the Company. The Committee shall also review and monitor its effectiveness;
 - (v) to review the group's financial and accounting policies and practices;
 - (vi) to review the external auditors' management letter, any material queries raised by the auditors to the management about accounting records, financial accounts or systems of control and management's response;
 - (vii) to ensure that the board will provide a timely response to the issues raised in the external auditors' management letter;
 - (viii) to ensure and to review that there are proper 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 in place for fair and independent investigation of these matters and for appropriate follow up action; and
 - (ix) to act as the key representative body for overseeing the Company's relation with the external auditors.

17. to report regularly to the Board on the matters set out in these terms of reference, including its decisions and recommendations; and
18. to consider other topics as defined by the Board.

Minutes of Meetings

19. Minutes of meetings of the Committee shall be kept by the secretary of the meeting. Draft and final versions of the minutes shall be sent to all members of the Committee for their comment and record within a reasonable time after the meeting.

Others

20. The terms of reference of the Committee shall be posted both on the Company's website and the website of the Hong Kong Stock Exchange.