



HAITIONAL INTERNATIONAL HOLDINGS LIMITED
(the “Company”)

Terms of reference of the Audit Committee (the “Committee”)
of the Board of Directors (the “Board”) of the Company

1. Constitution, Duties and Powers

1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 5 December 2006.

1.2 The Committee shall have the following duties and powers:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, 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. The Committee should 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. For this purpose, “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 monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and legal requirements in relation to financial reporting;
- (e) regarding (d) above:
- (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the external 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 auditor;
- (f) to review the Company’s financial controls, internal control and risk management systems;
- (g) 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 financing reporting function;
- (h) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management’s response to these findings;
- (i) 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 Company, and to review and monitor its effectiveness;
- (j) to review the group’s financial and accounting policies and practices;
- (k) 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 management’s response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor’s management letter;

- (m) to report to the Board on the matters in the code provision C.3 of Appendix 14 of the Listing Rules; and
 - (n) 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;
 - (o) to act as the key representative body for overseeing the Company's relations with the external auditor; and
 - (p) to consider other topics, as defined by the Board.
- 1.3 The Committee is granted the authority to investigate any activity within its terms of reference and all employees of the Company are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 1.4 The Committee shall report to the Board any suspected frauds, irregularities, failures of internal control or suspected infringements of laws, rules or regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- 1.5 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the corporate governance report in the annual report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
- 1.6 The Committee shall be provided with sufficient resources to perform its duties.

2. Membership

- 2.1 Members of 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 majority of whom shall be independent non-executive directors and at least one of the Committee members shall be independent non-executive director with appropriate qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.
- 2.2 The Board shall nominate an independent non-executive director as the chairman of the Committee.



2.3 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by resolutions passed by the Board.

3. Secretary of the Committee

3.1 The Company Secretary of the Company shall act as the secretary of the Committee.

3.2 The Committee may from time to time appoint any other person with appropriate qualification and experience to act as the secretary of the Committee.

4. Proceedings of meetings

4.1 Notice of Meeting:

(a) Unless otherwise agreed by all the Committee members, a meeting shall be convened by at least seven (7) days' notice.

(b) A Committee member may at any time summon a Committee meeting.

(c) Notice shall be given to each Committee member in person orally or in writing or by telephone or by facsimile transmission or email at numbers or addresses from time to time notified to the company secretary of the Company by such Committee member or in such other manner as the Committee members may from time to time determine.

(d) Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting.

4.2 The quorum for the Committee meeting shall be two members of the Committee.

4.3 Only members of the Committee can vote in the meeting of the Committee.

4.4 Meeting of the Committee can be attended in person or via electronic means including telephone or video conferencing. The members of the Committee can attend the meeting via telephone or any similar communication device such that all persons attending the meeting can hear from such member through such communication device.

4.5 Resolution(s) of the Committee shall be passed (i) through voting by a majority of the members attending a meeting of the Committee or (ii) through signing by all members of the Committee.



4.6 Full minutes of Committee meeting shall be kept by the secretary of the Committee. The secretary of the Committee shall circulate the draft and final version of minutes of meetings to all members of the Committee for their comments and records within a reasonable time after the meeting.

5. Continuing application of the articles of association of the Company

5.1 Any matter in relation to the meetings and proceedings of the Committee not covered by these terms of reference shall be governed by the articles of association of the Company.

6. Powers of the Board

6.1 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules, amend, supplement and revoke these terms of reference and any resolution passed by the Committee.