

C.BANNER INTERNATIONAL HOLDINGS LIMITED

千百度國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1028)

Summary of terms of reference of the Audit Committee

The Audit Committee

The board of directors (the “**Board**”) of **C.banner International Holdings Limited** (the “**Company**”) has established a committee of the Board known as the Audit Committee (the “**Audit Committee**”), a summary of its constitution and particular duties are set out below:-

1. Membership

- 1.1 The Audit Committee shall be appointed by the Board and should comprise a minimum of three members (the “**Members**”).
- 1.2 The Members shall be appointed from amongst the non-executive directors of the Company. The majority of Members should be independent non-executive directors of the Company, at least one of whom is an independent non-executive director with professional qualifications or accounting or related financial management expertise.
- 1.3 The Board shall appoint the chairman of the Audit Committee. The chairman must be an independent non-executive director.
- 1.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Company’s Audit Committee for a period of one year from the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.
- 1.5 The term of each appointment to the Members of the Audit Committee shall be determined by the Board upon appointment.

2. Secretary

- 2.1 The company secretary of the Company or his/her delegate shall be the secretary of the Audit Committee.
- 2.2 The Audit Committee may from time to time appoint another secretary with appropriate qualification and experience.

3. Meetings

- 3.1 Meetings of the Audit Committee shall be held not less than two times a year. Additional meetings should be held as and when the work of the Audit Committee demands. The chairman of the Audit Committee may convene additional meetings at his discretion. The external auditors may make the request to the chairman of the Audit Committee to convene a meeting of the Audit Committee.

- 3.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be sent to each Member of the Audit Committee, and to any other person required to attend in relation to all regular meetings of the Audit Committee, at least 14 days before the date of the meeting; and in relation to continued meetings held within 14 days, no prior notice is required. Notwithstanding the notification period, the attendance of the Member of the Audit Committee at the meeting shall be deemed waiver of the required notification requirement.
- 3.3 The quorum of Audit Committee meetings shall be two Members, one of them should be an independent non-executive director.
- 3.4 The Members may attend meetings either in person, by telephone or through other electronic means of communication (which are available to all attended parties).
- 3.5 Resolutions of the Audit Committee shall be passed with a majority of votes.
- 3.6 Resolutions signed by all Members of the Audit Committee will be treated valid as if it is passed in the meeting held by the Audit Committee.
- 3.7 Full minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee and shall be available for inspection by any Member of the Audit Committee and/or any director of the Company at any reasonable time on reasonable notice. Draft and final versions of minutes of Audit Committee meetings shall be sent to all Members for their comments and records within a reasonable time after the meeting. Once they are agreed, the secretary of the Audit Committee shall circulate the minutes and reports of the Audit Committee to all members of the Board.

4. **Attendance of Meetings**

- 4.1 The Audit Committee shall attend meetings at least once a year with the external auditors without executive Board members present (except those invited by the Audit Committee).
- 4.2 Upon invitation by the Audit Committee, the following persons may attend all or any of the meetings: (a) the Chief Financial Officer of the Company (or any officer(s) assuming the relevant functions but having a different designation); (b) the head of internal audit or (if absence) the representative of internal audit; (c) a representative of the external auditors of the Company; (d) other Board members.
- 4.3 Only the Members shall have the voting powers.

5. **Annual general meetings**

- 5.1 The chairman of the Audit Committee shall attend the annual general meetings of the Company and be prepared to respond to any shareholder questions on the Audit Committee's activities and responsibilities. If the chairman of the Audit Committee is unable to attend, a Member of the Audit Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company. Such person shall be prepared to respond to any shareholder questions on the Audit Committee's activities and responsibilities.

6. **Duties and responsibilities**

The duties of the Audit Committee are to serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the Company's internal controls and as to the efficiency of the audits.

Relationship with the Company's Auditors

- 6.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment 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;
- 6.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 6.3 to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 6.4 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;
- 6.5 to report to the Board, to identify and to make recommendations on any matters where action or improvement is needed;
- 6.6 to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

- 6.7 to monitor the integrity of the Company's financial statements and annual report and accounts and half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein, and to review these reports before submission to the Board, focusing particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgemental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) 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;
- 6.8 with regard to paragraph 6.7 above,
 - (a) the Members of the Audit Committee should liaise with the Board and senior management of the Company;
 - (b) the Audit Committee must meet, at least twice a year, with the external auditor; and
 - (c) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report 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;

Overseeing of the Company's financial reporting system and internal control procedures

- 6.9 to review the Company's financial controls, internal control and risk management systems;
- 6.10 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 adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 6.11 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;
- 6.12 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;
- 6.13 to review the financial and accounting policies and practices of the Company and its subsidiaries (the "Group");
- 6.14 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;
- 6.15 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.16 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 6.17 to consider the establishment of a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the company;

Corporate governance functions delegated by the Board

- 6.18 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 6.19 to review and monitor the training and continuous professional development of Directors and senior management;
- 6.20 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 6.21 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- 6.22 to review the Company's compliance with the Code on Corporate Governance Principles contained in the Listing Rules and disclosure in the Corporate Governance Report;

Others

- 6.23 to report to the Board on the matters set out herein; and

6.24 to consider other matters, as required by the Board, to be performed by the Audit Committee.

7. **Reporting responsibilities**

7.1 After each meeting, the Audit Committee shall report formally to the Board on all matters within its duties and responsibilities.

8. **Authority**

8.1 The Audit Committee is authorized by the Board to investigate any financial information and records of the Company.

8.2 The Audit Committee is authorized by the Board when necessary to seek any financial information it requires from any employee of the Group, to require any of them to prepare and supply financial information and answer questions raised by the Audit Committee.

8.3 The Audit Committee is authorized by the Board when necessary to obtain outside legal or other independent professional advice in connection with its duties at the Company's expense.

Note: All such arrangements of obtaining outside legal or other independent professional advice may be made by the company secretary

8.4 The Audit Committee shall have access to sufficient resources in order to perform its duties.

8.5 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Audit Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Audit Committee's view and the reasons why the Board has taken a different view.

"Senior management" refers to the same persons referred to in the Company's annual report and required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules.