

**National Investments Fund Limited**

**(“COMPANY”)**

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

(Revised and adopted on 31 December 2015)

**Constitution**

1. The Audit Committee (the “Committee”) shall be established as a committee of the Board.
2. The scope of the Committee’s review shall not be restricted to activities at the “company” level, but shall be extended to activities at the “group” level, insofar as they fall within the duties of the holding company’s Board.

**Objective and Role**

3. The Committee is responsible for ensuring the objectivity and credibility of financial reporting, and that in presenting results to the shareholders, the directors have exercised the care, diligence and skills prescribed by law.
4. The Committee is responsible for ensuring an effective system of internal controls of the Company is in place.
5. The Committee is responsible for maintaining an appropriate relationship with the external auditors of the Company.

**Membership**

6. The members of the Committee shall be appointed by the Board and shall consist of non-executive directors of the Company only and at least three members. There shall be at least one member of the Committee 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 (the “Listing Rules”).
7. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director of the Company.
8. The Majority of the audit committee members must be independent non-executive directors of the listed company.

### **Attendance at Meetings**

9. The Committee may invite any appropriate person to attend meetings of the Committee as it considers appropriate, including representatives(s) of the external auditors and other Board members. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.
10. The Company Secretary of the Company or his or her nominee shall be the secretary of the Committee.

### **Frequency of Meetings**

11. Meetings shall be held at least twice a year and at such other times as the Committee determines is appropriate to carry out its responsibilities. The external auditors may request a meeting if they consider that one is necessary.

### **Authority**

12. 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.
13. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance at meetings of the Committee of outside advisers with relevant experience and expertise if it considers the necessary.

### **Responsibility of the Committee**

14. The audit committee's terms of reference should include at least:

#### Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendation 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 resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;

- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvements is needed and making recommendations as to the steps to be taken;
- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly 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 audit;
  - (iv) the going concern assumptions and qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Exchange Listing Rules and other legal requirements in relation to financial reporting;
- (e) In regard to (d) above:-
  - (i) members of the Committee must liaise with the Board and senior management and the Committee must meet, at least once a year, with the Company's auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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, risk management and internal control systems.

- (f) 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 controls systems;
- (g) 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 function,
- (h) to consider major investigation findings on risk management and 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 external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of controls and management's response;
- (k) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (l) 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 the effectiveness of the internal audit function;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters set out in provision of terms of reference of the Committee;
- (o) to review the group's financial and accounting policies and practices; and
- (p) to consider other topics, as defined by the Board.

### **Reporting Procedures**

15. The meetings and proceedings of the Committee shall be governed by the provisions of the Company's Articles of Association for regulating the meetings and proceedings of the Board, except as otherwise determined by the Board from time to time.
16. The quorum for meetings shall be two members of the Committee.
17. The Secretary of the Committee shall arrange to distribute the minutes of meetings /written resolutions of the Committee to the Board members.

### **Frequency of Review**

18. This Terms of Reference should be reviewed when necessary, can be revised by the Board from time to time.