

LEI SHING HONG LIMITED (the “Company”)

Terms of Reference of Audit Committee

Adopted at the Board meeting on 27 April 2012

1. Constitution

1.1 The board of directors of the Company (the "**Board**") has resolved to establish a committee of the Board to be known as the audit committee (the "**Audit Committee**").

2. Membership

2.1 The members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company. It shall consist of not less than three members, a majority of whom should be independent non-executive directors. At least one of the members of the Audit Committee shall have relevant financial experience.

2.2 The Chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive director.

3. Secretary

3.1 The company secretary of the Company or if there are joint secretaries, either one of them shall act as the secretary of the Audit Committee (the "**Secretary**").

4. Quorum

4.1 The quorum necessary for the transaction of business of the Audit Committee shall be two members of the Audit Committee.

5. Attendance at Meetings

5.1 In the absence of the Audit Committee Chairman and appointed deputy Chairman (if any), the remaining members present shall elect one of the members to chair the meeting.

5.2 The Chairman of the Board, the Finance Director of the Company, the Head of Internal Audit Department of the Company and a representative of the external auditors shall normally attend meetings. Members of the Board may be invited to attend all or part of any meeting as and when appropriate.

5.3 At least once a year, the Audit Committee shall determine whether it shall meet with the external and internal auditors without executive Board members present.

6. Frequency of Meetings

6.1 Meetings shall be held not less than twice a year. The external auditor may request a meeting if they consider that one is necessary.

7. Notice of Meetings

- 7.1 Meetings of the Audit Committee shall be convened by the Secretary at the request of any of its members or at the request of external auditors if they consider it necessary.
- 7.2 Unless otherwise agreed, notice of each meeting including venue, time, date and an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee at least 14 days before the date of the meeting. Supporting papers shall be sent to Audit Committee members at least 3 days in advance of the meeting.

8. Minutes of Meetings

- 8.1 The Secretary shall circulate drafts and final versions of minutes of meetings of the Audit Committee to all members of the Audit Committee within a reasonable time (generally within 14 days) after each meeting for comments and records respectively. Once approved, final version of the minutes shall be circulated to all members of the Board.
- 8.2 The Secretary shall keep full minutes of the Audit Committee's meetings.

9. Annual General Meeting

- 9.1 The Chairman of the Audit Committee should, so far as practicable, attend the Annual General Meeting. In the case where the Chairman of the Audit Committee could not attend the meeting, he should appoint another member of the Audit Committee as his delegate to attend the meeting. The Chairman (or his delegate) shall make himself available to respond to any shareholder questions on the Audit Committee activities.

10. Duties

The duties of the Audit Committee shall be:

10.1 Financial Reporting

- 10.1.1 To monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year report.
- 10.1.2 To review significant financial reporting judgements contained in the Company's interim and annual financial statements, annual report and half-year report before submission to the Board, focusing particularly on:
- any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption and any qualifications;
 - compliance with accounting standards; and
 - compliance with Exchange Listing Rules where applicable, and legal requirements in relation to financial reporting.

In regard to the above:

- a. the Audit Committee must liaise with the Board and senior management and the Committee must meet with the Company's auditors at least twice a year; and
- b. the Committee should consider any significant or unusual terms 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.

10.1.3 To discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss.

10.2 **Financial Policies, Internal Control and Risk Management Systems**

10.2.1 To review the Company's financial controls, internal control and risk management systems prior to endorsement by the Board.

10.2.2 To discuss with the management the internal control system and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, staff qualifications and experience of budget of the Company's accounting and financial reporting function.

10.2.3 To consider major investigation finding on internal control matters as delegated by the Board or on its own initiative and management's response to these findings.

10.2.4 To review the effectiveness of the internal control and risk management system, 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.

10.2.5 To review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response.

10.2.6 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

10.2.7 To review the Group's financial and accounting policies and practices.

10.2.8 To report to the Board on the matters set out in the Corporate Governance Code contained in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

10.2.9 To review arrangements to enable 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 proper arrangements are in place for fair and independent investigation of these matters and appropriate follow up action.

10.2.10 To consider other topics, as defined by the Board.

10.3 **External Audit**

10.3.1 To make recommendation to the Board on the appointment, reappointment and removal of the external auditors.

10.3.2 To approve external auditors remuneration, whether fees for audit or non-audit service, and terms of engagement.

10.3.3 To consider the audit fee, and any questions of resignation or dismissal.

10.3.4 To discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations.

10.3.5 To assess annually external auditor's independence and objectivity and effectiveness of the audit process taking into account relevant professional and regulatory requirements and standards and the relationship with the external auditors.

10.3.6 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.

10.3.7 To satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Company (other than in the ordinary course of business).

10.3.8 To agree with the Board a policy on prohibition of the employment of former partner of the Company's existing auditing firm acting as a member of the Audit Committee for 1 year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

10.3.9 To assess annually external auditors' qualification, expertise and resources and the effectiveness of the audit process.

10.3.10 To act as key representative body for overseeing the Company's relations with the external auditor.

11. **Reporting Responsibilities**

11.1 The Audit Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

11.2 The Audit Committee shall identify any matters in respect of which it considers that action or improvement is needed and make recommendations to the Board as to the steps to be taken.

12. Authority

12.1 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the Company and all employees of the Company are directed to co-operate with any request made by the Audit Committee.

12.2 The Audit Committee shall seek approval of the Board in advance if it intends to:

- a. obtain outside legal or independent professional advice; or
- b. secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

12.3 The Audit Committee shall obtain outside legal or other professional advice on any matter within its terms of reference at the Company's expenses.

13. General

13.1 The Audit Committee should be provided with sufficient resources to discharge its duties.

13.2 The Audit Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.