

LISI GROUP (HOLDINGS) LIMITED
利時集團(控股)有限公司
(a company incorporated in Bermuda with limited liability)
(stock code : 526)
(the “Company”)

Audit Committee

Terms of Reference
(adopted on 29 March 2012)

Establishment

1. The board of directors of the Company (the “Board”) resolved to establish an audit committee (the “Committee”) under the Board.

Members

2. The Committee members (the “Members”) shall be appointed by the Board from the non-executive directors of the Company. The Committee comprises at least 3 Members and at least one of whom shall be an independent non-executive director of the Company (“INED”) who have appropriate professional qualifications or accounting or related financial management expertise. Majority Members of the Committee shall comprise independent non-executive directors of the Company only.
3. The Committee Chairman (the “Chairman”) shall be appointed by the Board and shall be an INED.

Secretary

4. Secretary of the Committee (the “Secretary”) will be the Company Secretary of the Company unless otherwise appointed by the Committee.

Frequency

5. The Committee is required to convene meetings no less than two times a year. Any one Member or the external auditor of the Company may request a meeting if considered necessary.

Authority

6. The Committee is authorised by the Board to investigate any matter relating and according to their terms of reference. The Committee has the authority to request any information from any employees of the Company and its subsidiaries (the “Group”) and that all employees are instructed to co-operate with and to satisfy the Committee’s request.
7. The Committee is authorised by the Board to consult independent legal or other professional advice; if considered necessary, the Committee may consult any other

third parties with relevant experience and expertise.

Responsibilities

8. The responsibilities of the Committee should include the following :-

Relationship with the Company's auditors

- (a) 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;
- (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 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;

Review of financial information of the Company

- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and 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 audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:-
 - (i) Members should liaise with the Board and senior management and the Committee must meet, at least twice 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 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 auditors;

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

- (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. The 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 any 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 set out in these terms of reference; and
- (n) to consider other topics, as defined by the Board.

Meetings

9. Unless otherwise agreed unanimously by all Members, the Secretary should issue notice in writing 7 days prior to the date of the meeting and circulate the related agenda of such meeting to all Members.
10. A simple majority of the Members constitutes a quorum.
11. A meeting may be effectively convened either by way of physical attendance, conference call or video conferencing. Members may use telephone or other similar device which allow the participants of the meeting to communicate between each

other and be deemed to be an attendee of the meeting.

12. Any resolution of the meeting is considered effectively passed by the agreement of the majority of all attending Members. A resolution may be validly and effectively passed in writing with the unanimous agreement of all Members.
13. The Committee may invite the executive directors, professional advisors and/or any other third parties to attend the meeting. However such executive directors, professional advisors and/or any other third parties have no authority to vote in the meeting.
14. The Secretary should maintain a comprehensive record of all minutes of the Committee meetings and the said minutes should record all the matters discussed among, consideration and resolutions (including any hesitation and expressed opposition) of, the Members during the meeting in details. The Secretary should send the draft minutes and signed minutes to all Members for approval and records respectively within reasonable time subsequent to the end of the meeting. The Secretary should also deliver the signed minutes to the Board for their records.
15. In general, the financial controller, department head of internal control and the representative(s) of external auditors of the Company shall attend the meetings of the Committee. However, the Committee shall convene, at least once a year, a meeting with the external and internal auditors without the presence of the executive directors of the Company.

Shareholders Meeting

16. Committee Chairman or other Members with its authorisation should attend the annual general meeting and to answer the questions (if any) in relation to, among others, the Company's financial information and internal control, Committee's activities and the Committee's duties raised by the shareholders. Unless otherwise authorised by the Board, all attending Members of a meeting are subject to the confidentiality of the meeting and are not allowed to disclose any relevant information to any third party.

Duties to Report

17. Chairman of the Committee or any other Member being appointed to chair the meeting should report to the Board after the end of every meeting.

Rights of Interpretation

18. The Board has the right of interpretation of these terms of reference.