



盛洋投資

**Gemini Investments (Holdings) Limited**  
盛洋投資(控股)有限公司  
(Incorporated in Hong Kong with limited liability)  
(Stock Code : 174)

**TERMS OF REFERENCE  
OF  
AUDIT COMMITTEE**

The audit committee (the “**Audit Committee**” or “**Committee**”) is a committee of the board of directors (the “**Board**”) of Gemini Investments (Holdings) Limited (the “**Company**”) established pursuant to Article 128 of the Articles of Association of the Company and with reference to Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited “Corporate Governance Code” (the “**Code**”).

**1. Roles of the Audit Committee**

The roles of the Audit Committee are to:

- 1.1 monitor the integrity of the financial statements of the Company and its subsidiaries (the “**Group**”);
- 1.2 review the Group’s financial controls, internal control and risk management systems;
- 1.3 make recommendations to the Board in relation to 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; and
- 1.4 monitor & review the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

Where the Audit Committee’s monitoring and review activities reveal cause for concern or scope for improvement, the Committee shall make recommendations to the Board on action needed to address the issue(s) or make improvement.

## **2. Membership**

- 2.1 Members of the Committee shall be appointed by the Board. The Board shall appoint an independent non-executive director to be the chairman of the Committee.
- 2.2 The Committee shall be comprised of at least 3 (THREE) members, all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors.
- 2.3 The chairman of the Board shall not be a member of the Committee.
- 2.4 At least one member of the Committee shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.
- 2.5 Only members of the Committee have the right to attend the Committee's meetings. However, other individuals such as the chairman of the Board, chief executive officer/managing director, finance director, other directors, representatives responsible for the accounting and financial reporting function may be invited to attend all or part of any meeting as and when appropriate.
- 2.6 The external auditors will be invited to attend meetings of the Committee at least twice a year on a regular basis.
- 2.7 Appointments to the Committee shall be for a period of up to three years, which may be extended for the recommendation of the Board, provided the director remains independent.

## **3. Secretary**

- 3.1 The company secretary of the Company shall act as the secretary of the Committee (the "**Secretary**").

## **4. Quorum**

- 4.1 The necessary quorum for a meeting of the Committee shall not be less than 2 (TWO) members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 4.2 In the absence of the chairman of the Committee and/or a duly appointed deputy, the remaining members present shall elect one among themselves to chair the meeting.

## **5. Frequency of Meetings**

5.1 The Committee shall meet at least 2 (TWO) times a year at appropriate times in the reporting and audit cycle and otherwise as required.

## **6. Notice of Meetings**

6.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting. Relevant supporting papers shall also be sent to Committee members and to other attendees as appropriate at the same time.

## **7. Minutes of Meetings**

7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including the names of the attendees.

7.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute it accordingly.

7.3 Draft minutes of the Committee's meetings shall be circulated promptly (and generally within 14 days after the meeting) to all members of the Committee and, once agreed, to all members of the Board.

## **8. Annual General Meeting**

8.1 The chairman of the Committee, or in his/her absence, a duly appointed deputy, shall attend the annual general meeting of the Company and prepare to respond to any shareholder's question on the Committee's activities.

## 9. Duties

The Committee should carry out the duties below:

### 9.1 Relationship with the external auditor

- 9.1.1 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;
- 9.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligation before the audit commences;
- 9.1.3 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

### 9.2 Review of financial information of the Company

- 9.2.1 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 shall 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 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;

9.2.2 In regard to paragraph 9.2.1 above:-

- (i) members of the Committee should liaise with the Board, members of senior management and the person appointed as the Company's qualified accountant and the Committee must meet, at least twice a year, with the Company's auditors; and
- (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

9.3 Oversight of the Company's financial reporting system, risk management and internal control systems

- 9.3.1 to review the Company's financial controls, risk management and internal control systems;
- 9.3.2 to review the identification of business risks and procedures of controlling the impact of financial risks on the Group;
- 9.3.3 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;
- 9.3.4 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;
- 9.3.5 to review the Group's financial and accounting policies and practices;
- 9.3.6 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;
- 9.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 9.3.8 to report to the Board on the matters in the code provisions of the Code;
- 9.3.9 to ensure compliance with relevant regulations and legal requirements;
- 9.3.10 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;

- 9.3.11 to recommend to the Board and review arrangements employees of the Group 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;
- 9.3.12 to act as the key representative body for overseeing the Company's relations with the external auditor; and
- 9.3.13 to consider other matters, as referred to it by the Board.

## **10. Authority**

- 10.1 The Committee is authorized by the Board to investigate and undertake any activity within these terms of reference. The Committee is authorized to seek any information it properly requires from any employee of the Group who is able to provide appropriate information regarding the financial affairs and corporate governance of the Group. All employees of the Group are directed to co-operate with such request made by the Committee.
- 10.2 If the Committee considers necessary, it is authorized by the Board to obtain, at the Company's expense, external legal or other independent professional advice on any matter within its terms of reference.
- 10.3 The Committee shall be provided with sufficient resources to perform its duties.

## **11. Reporting Responsibilities**

- 11.1 The Committee shall make recommendations to the Board it deems appropriate on any area within its authorities where action or improvement is needed.
- 11.2 The Committee shall report to the Board on a regular basis.

## **12. Others**

- 12.1 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company will arrange the Corporate Governance Report in the annual report to include a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- 12.2 The annual performance evaluation of the Committee shall be reviewed by the Board to ensure that it is working efficiently.
- 12.3 The Committee shall review its own constitution and terms of reference from time to time and recommend any change it considers necessary to the Board for approval.

1 January 2016