



PPS International (Holdings) Limited
寶聯控股有限公司
(“Company”)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8201)

Terms of reference
of
Audit Committee
(“Committee”)

Revised and readopted on 27 June 2016 by resolution of the board (the “**Board**”) of directors (the “**Directors**”) of PPS International (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”).

Membership

1. The Committee shall consist of at least three directors, all of whom shall be non-executive Directors with majority of independent non-executive Directors appointed by the Board from time to time. At least one member of the Committee must have appropriate professional qualifications or accounting or related financial management expertise.
2. The Board shall appoint one of the members as the Chairman of the Committee.
3. The company secretary of the Company or a nominee shall be the Secretary of the Committee.

Frequency and proceedings of meeting

4. The Committee should meet at least twice per year. Additional meetings shall be held as the work of the Committee demands.
5. The Chairman of the Committee may convene additional meetings at his discretion.
6. The quorum of the Committee meeting shall be two members of the Committee.
7. Proceedings of meetings of the Committee shall be governed by the provisions of the Articles of Association of the Company.

Authority

8. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee.
9. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
10. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules, regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
11. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal or the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
12. The Committee is to be provided with sufficient resources to discharge its duties.

Responsibility

13. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, risk management and internal control systems, external and internal audits and such other matters as the Board determines from time to time.
14. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal control systems of the Group, and as to the adequacy of the external and internal audits.

Functions

15. The Committee is to:

- (a) consider the appointment of the external auditors, the performance of the external auditors, the audit fee, and any questions of resignation or dismissal;
- (b) review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding the systems of risk management and internal control (including financial, operational and compliance controls) and any statement by the Director to be included in the annual accounts prior to endorsement by the Board;
- (c) have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (d) prior to audit commencement, review the scope of the external audit, including the engagement letter. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;
- (e) review the annual and interim financial reports prior to approval by the Board, with particular focus on:–
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting and auditing standards; and
 - (vi) compliance with the listing requirements of The Stock Exchange of Hong Kong Limited and legal requirements;

- (f) review the draft representation letter to approval by the Board;
- (g) evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; inquire of the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (h) seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- (i) discuss with the external auditor any recommendations arising from the audit (if necessary in the absence of management); and review the draft management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;
- (j) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;
- (k) review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- (l) the engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required;
- (m) to review the financial controls, and unless expressly addressed by a separate risk committee, or by the Board itself, to review the risk management and internal control systems;

- (n) discuss with management the scope and quality of risk management and internal control systems;
- (o) discuss with the management the systems of risk management and internal control and ensure that management has discharged its duty to have an effective systems including the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget;
- (p) apprise the Board of significant developments in the course of performing the above duties;
- (q) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (r) arrangements for employees of the Company to raise concerns about financial reporting improprieties;
- (s) 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;
- (t) establish a whistleblowing policy and system;
- (u) approve the policies relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit; and
- (v) consider other topics, as requested by the Board.

Reporting Procedures

16. The Secretary of the Committee shall circulate the minutes of the Committee meetings, reports of the Committee and relevant information to all directors of the Company.