



ASIA INVESTMENT FINANCE GROUP LIMITED

亞投金融集團有限公司

(Formerly known as Harmonic Strait Financial Holdings Limited 和協海峽金融集團有限公司)

(the “Company”)

Terms of Reference

Of

Audit Committee

Adopted as amended by the Board on 27 March 2012.

Main purposes

The Audit Committee serves as a means to increase the effectiveness, accountability, transparency and objectivity of the Board, to monitor adherence to and compliance with management policies and procedures, to improve the quality of financial reporting and to create a climate of discipline and control which will reduce the opportunity for fraud.

Composition

The Audit Committee will comprise not less than three members, at least one of whom shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the Audit Committee shall be independent non-executive Directors. A quorum shall be two members. The Company Secretary shall be the secretary of the Audit Committee and in the absence of the Company Secretary, a member of the Audit Committee shall act as the secretary.

Chairman

The chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive Director.

Meetings

- (a) Notice of any meetings has to be given at least 7 days prior to any such meeting being held provided that if a meeting is called by a shorter notice, it shall be deemed to have been duly called if it is so agreed by a majority of the Members. A Member who attends such a meeting shall deem to agree to the shorter notice. Notice of any adjourned meetings is not required if the adjournment is less than 14 days.
- (b) Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment

provided that all persons participating in the meeting are capable of hearing each other.

- (c) Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.
- (d) A resolution in writing signed by all the Members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- (e) Minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively, in both cases within a reasonable period of time after the meeting.

- Primary duties**
- (a) to be primarily responsible for considering and making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the audit fee and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
 - (b) 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 Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
 - (c) 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 judgment 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 and any inconsistencies within the financial statements;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards and requisite disclosure of any relevant or unusual items in the financial statements (if any); and
 - (vi) compliance with applicable laws, rules, regulations, codes, directives, standards and guidance promulgated by the Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and other regulatory bodies or authorities in relation to financial reporting.
- (d) With regard to (c) above:
- (i) members of the committee must liaise with the Company's Board of directors, 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. The external auditors may request a meeting if they consider necessary; 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;
- (e) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- (f) to review the external auditors' management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response thereto; and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to review the Company's financial controls, internal control and risk management systems;
- (i) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system 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;
- (j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response thereto;
- (k) 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;
- (l) to review the group's financial and accounting policies and practices;
- (m) to monitor compliance with the management practice and policies laid down by the Group;
- (n) to review the Group's annual business plan and revised business plans;
- (o) to report to the Board on the matters set out in the provision of the Code on Corporate Governance Practices;
- (p) to consider other topics, as defined by the Board from time to time.
- (q) to review and monitor the Group's whistleblowing policy and system for employees to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the Company.

Reporting

The Audit Committee shall report to the Board after each meeting.

Annual General Meeting

The Chairman of the Audit Committee or a Member of the Audit Committee shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on

the Audit Committee's activities and its responsibilities.

Authority

- (a) The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Audit Committee is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- (b) The Audit Committee is authorised by the Board to obtain at the Company's expense outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if the Audit Committee considers this necessary.

Frequency of meeting

The Audit Committee shall meet at least four times a year to discuss the to-day matters of the Company. The Audit Committee should also meet prior to the finalisation of both the interim and year-end financial statements to discuss any issues arising from them. These or other meetings planned during the year should address internal control and other issues including any concerns raised by employees about financial reporting, internal control and other matters.