



Louis XIII Holdings Limited

路易十三集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 577)

(the “Company”)

Terms of Reference

for the Audit Committee

1. Membership

- 1.1 The members (the “Member(s)”) of the audit committee (the “Audit Committee”) of the Company shall be appointed by the board (the “Board”) of directors (the “Director(s)”) of the Company from time to time.
- 1.2 Membership shall be confined to non-executive Directors, the majority of which must be independent non-executive Directors (the “INED(s)”), and at least one INED shall be with appropriate professional qualifications or accounting or related financial management expertise as defined in Chapter 3 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- 1.3 The Audit Committee shall consist of not less than three Members.
- 1.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of 1 year from the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.
- 1.5 The Chairman of the Audit Committee shall be appointed by the Board and must be an INED.

2. Secretary

- 2.1 The company secretary of the Company shall serve as the secretary of the Audit Committee.

3. Meetings

- 3.1 Meetings shall be held not less than twice a year and may be convened by any Member or by the secretary of the Audit Committee on the request of a Member.

* *For identification purpose only*

- 3.2 Notice may be given in writing or by telephone or by facsimile or electronic transmission or other similar means or in such other manner as the Audit Committee may from time to time determine. The external auditors may request a meeting if they consider that one is necessary.
- 3.3 The quorum of the Audit Committee shall be any two Members.
- 3.4 Meetings can be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 3.5 Resolutions of the Audit Committee at any meetings shall be passed by a simple majority of votes of the Members present.
- 3.6 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- 3.7 Other than that stated herein, all the provisions of laws and of the Company's Bye-laws relating to the proceedings of the Board shall apply mutatis mutandis to proceedings of the Audit Committee.
- 3.8 The secretary of the Audit Committee shall circulate the full minutes of meetings of the Audit Committee to all Members in draft for comments as soon as reasonably practicable. Final versions of minutes shall be prepared and sent to all Members and to all members of the Board as soon as practicable.

4. Attendance at meetings

- 4.1 A financial executive, the external auditors and other members of the Board or any other persons may be invited to attend all or part of any meetings.
- 4.2 Only Members are entitled to vote at the meetings.

5. Authority

- 5.1 The Audit Committee shall have the right to require the Company's management to furnish such available information on any matter relating to the financial position of the Company and its subsidiaries or affiliates, as may be required for the purposes of performing its duties.
- 5.2 The Audit Committee is authorised by the Board to obtain independent legal or other professional advice if considered necessary to perform its duties at the expense of the Company.
- 5.3 The Audit Committee shall be provided with sufficient resources to perform its duties.

6. Responsibility and Powers

The Audit Committee shall have the following responsibilities and powers :

Relationship with the Company's external auditors

- 6.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- 6.2 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- 6.3 to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditors" 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;
- 6.4 to act as the key representative body for overseeing the Company's relations with the external auditors;

Review of the Company's financial information

- 6.5 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 judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

6.6 Regarding 6.5 above:-

- (a) Members should liaise with the Board and the Company's senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
- (b) the Audit Committee should 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 Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

- 6.7 to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- 6.8 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;
- 6.9 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;
- 6.10 where an internal audit function exists, to ensure coordination 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;
- 6.11 to review the financial and accounting policies and practices of the Company and its subsidiaries;
- 6.12 to review the external auditors' management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response;
- 6.13 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- 6.14 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

6.15 to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company;

6.16 to report to the Board on the matters in these Terms of Reference; and

6.17 to consider other topics, as defined by the Board.

7. Reporting procedures

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

Remark: “senior management” refers to the same persons referred to in the Company’s annual report and required to be disclosed under Appendix 16 to the Listing Rules.

(Revised on 1 April 2016)