

VANTAGE INTERNATIONAL (HOLDINGS) LIMITED

Audit Committee of the Board of Directors of the Company

Terms of Reference

(Adopted on 8 September 2000, as revised on 16 December 2005, 15 July 2009,
12 September 2012, 27 March 2014, 30 March 2016 and 31 December 2018)

1. Constitution

- 1.1 The audit committee (the “**Committee**”) of Vantage International (Holdings) Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) was established pursuant to a resolution passed by the board of directors of the Company (“**Board**”) at a meeting held on 8 September 2000.

2. Membership

- 2.1 Members of the Committee (“**Member(s)**”) shall be appointed by the Board only amongst the non-executive directors of the Company and shall consist of not less than three Members.
- 2.2 The majority of the Members shall be independent non-executive directors of the Company (“**INED(s)**”). At least one Member must have appropriate professional qualifications or accounting or related financial management expertise as required in the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (The “**Stock Exchange**”), in particular but not limited to Rule 3.10(2) of the Listing Rules or any succeeding provisions thereof.
- 2.3 If a Member shall cease to assume the responsibilities of a director of the Company (the “**Director(s)**”), that Member shall automatically lose the qualifications as a Member and if this results in the number of Members to fall below the minimum, the Board shall appoint a new Member to complement the number of Members.
- 2.4 The chairman of the Committee (the “**Committee Chairman**”) shall be appointed by the Board and shall be an INED. In the absence of the Committee Chairman in a meeting of the Committee (“**Meeting**”), the remaining Members present shall elect one of them to chair the Meeting.
- 2.5 The secretary of the Committee (the “**Secretary**”) shall be served by the secretary of the Company concurrently. The Secretary should attend all Meetings of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary.

- 2.6 The appointment of Members of the Committee may be revoked, or additional Members may be appointed to the Committee by separate resolutions passed by the Board and the Committee.
- 2.7 A former director, partner or principal of the Company's existing external auditing firm or professional advisor shall be prohibited from acting as a Member for a period of two (2) years from the date of the person ceasing:
- (a) to be a director, partner or principal of the Company's existing external auditing firm or that professional advisor; or
 - (b) to have any financial interest in the firm;
- whichever is later.

3. **Alternate Members**

- 3.1 A Member shall not appoint any alternate.

4. **Duties**

- 4.1 The Committee shall carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

4.1.1 ***Relationship with the Company's external auditor***

The Committee shall:

- (a) be primarily responsible for making recommendation 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 the resignation or the dismissal of that external auditor;
- (b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and reporting obligations in accordance with applicable standards annually;
- (c) discuss with the external auditors the nature and scope of the audit and reporting obligations and ensure co-ordination between the external auditors where more than one audit firm is engaged before the audit commences;

- (d) develop and implement policy on engaging an external auditor to supply non-audit services and monitor the non-audit service provide by external auditor to ensure the provision of such services does not impair the external auditor’s independence and objectivity. 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; and
- (e) act as the key representative body for overseeing the Company’s relations with the external auditor.

4.1.2 ***Review of financial information of the Company***

The Committee shall:

- (a) monitor integrity of the Company’s financial statements and the Company’s annual report and accounts, interim report, preliminary results announcements and, if prepared for publication, quarterly reports and any other announcement relating to its financial performance, and to review significant financial reporting judgments contained in them;
- (b) review and focus particularly on areas including:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards;
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
 - (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions; and
 - (viii) whether all relevant items have been adequately disclosed in the Group’s financial statements and whether the disclosures give a fair view of the Group’s financial conditions;

and to provide advice and comments thereon to the Board;

- (c) In regard to (b) above:
 - (i) Members must liaise with the Board and senior management of the Group and the Committee must meet, at least twice a year, with the Company's external auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such 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.

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

The Committee shall:

- (a) review the Group's financial and accounting policies and procedures;
- (b) 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;
- (c) discuss the risk management and internal control systems with management to ensure that management has performed its duties 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;
- (d) 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 of these findings;
- (e) where an internal audit function exists within the Group, 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; to review, assess and monitor its effectiveness; and to review, approve and monitor the nature and scope of the internal audit works;
- (f) where an internal audit function do not exists within the Group, to review the need for one on an annual basis;
- (g) 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;
- (h) ensure that the Board will provide a timely response to the issues raised in the auditor's management letter;

- (i) review arrangements by which employees of the Group and those who deal with the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions; and
- (j) review and approve the statements to be included in the Company's annual report concerning risk management and internal control matters.

4.1.4 ***Others***

The Committee shall:

- (a) report to the Board on the matters set out in this terms of reference at the next meeting of the Board following a Meeting of the Committee and to prepare summary of work reports for inclusion in the Group's interim and annual reports;
- (b) conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable law; and
- (c) make available the Committee's terms of reference.

5. **Authority**

5.1 The Committee is authorized to:

- (a) seek any information it requires from any employee of the Group and any professional advisers (including external auditor), to require any of them to prepare and submit reports and to attend Meetings and to supply information and address the questions raised by the Committee;
- (b) monitor whether the Group's management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time determined by the Board or a committee thereof);
- (c) investigate any activity within these terms of reference and all suspected fraudulent acts involving the Group and request the management to make investigation and submit reports;
- (d) review the Group's risk management and internal control procedures and systems;
- (e) make recommendations to the Board for the improvement of the Group's risk management and internal control procedures and systems;
- (f) request the Board to take all necessary actions to replace and dismiss the internal and external auditors of the Group;

- (g) at the reasonable expense of the Company, obtain outside legal or other independent professional advice and to securing the attendance of independent professional advisers with the relevant experience and expertise in Meetings on any matters within these terms of reference as the Committee considers necessary;
- (h) where there is any disagreement between the Committee and the Board on the selection, appointment, resignation or dismissal of the external auditor which cannot be resolved, to report its own recommendations on such matters to the shareholders in corporate communications including but not limited to inclusion in the corporate governance report in the annual report of the Company an explanation of the Committee's recommendation and the reasons why the Board has taken a different view; and
- (i) review these terms of reference and their effectiveness in the discharge of its duties and to make recommendation to the Board for any changes on these terms of reference.

5.2 The Committee should be provided with sufficient resources to perform its duties.

6. **Veto Rights of the Committee**

6.1 The Committee has the following veto rights. The Group cannot implement any of the following matters which has been vetoed by the Committee:

- (a) to approve any connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the INEDs and the independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or the internal audit manager.

7. **Proceedings**

7.1 *Notice*

7.1.1 Unless otherwise agreed by all Members, a Meeting shall be called by giving at least seven (7) days' notice. Notice shall be given to each Member in person, orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email address from time to time notified to the Secretary by the Members or in such other manner as the Members may from time to time determine.

7.1.2 In respect of regular Meetings of the Committee to be held as mentioned in clause 7.4 below, and so far as practicable for all other meetings of the Committee, the agenda and accompanying papers shall be sent to all Members in a timely manner and at least three (3) days before the intended date of the Meeting (or such other period as all Members may agree).

7.2 *Quorum*

7.2.1 The quorum necessary for the transaction of business shall be two Members, and a majority of whom shall be the INEDs.

7.3 *Manner*

7.3.1 Meetings may be convened by Members present at the Meetings, participating by telephone or video conferencing or similar communications equipment that allow persons present at the Meeting to hear and communicate with each other at the Meeting. Members participating at the Meeting through the abovementioned methods are deemed to be present at the Meeting.

7.4 *Frequency*

7.4.1 Meetings shall be held at least twice annually or more frequently if circumstances require.

7.4.2 At least twice a year the Committee shall meet with the external auditors in the absence of the executive directors of the Company.

7.4.3 A Member may and, on the request of a Member, the Secretary shall, at any time summon a Meeting.

7.4.4 The internal and external auditor may request the Committee Chairman to convene a Meeting, if they consider that one is necessary.

7.5 *Resolutions*

7.5.1 Resolutions of the Committee shall be passed by a majority vote (excluding 50% vote) of Members present at the Meeting.

7.6 *Invitation to Meeting*

7.6.1 The Committee may invite executive Directors, external advisors or other persons to attend all or part of any Meeting, as and when appropriate, but those persons shall have no right to vote at the Meeting.

7.7 *Minutes*

7.7.1 The Secretary shall keep detailed record of matters considered and decisions reached at all Meetings. After the close of each Meeting, the Secretary shall circulate to all Members the draft and final version of the minutes of the Meeting for their comment and record respectively, in both cases within a reasonable time after the Meeting. All written resolutions and full minutes of the Committee's Meetings shall be kept by the Secretary, and such documents shall be available for inspection at any reasonable time on reasonable notice by any Director or Member.

8. **Written Resolutions**

- 8.1 Written resolutions may be passed by all Members in writing. Such resolution shall be as valid and effectual as if it had been passed at a Meeting of the Committee and may consist of several documents in like form each signed by one or more of the Members. Such resolution may be signed and circulated by post, by fax or by other means of electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a board or a committee meeting to be held.

9. **Shareholders' Meeting**

- 9.1 Generally, the Members who are INEDs should attend general meetings of the Company to gain and develop a balanced understanding of the views of shareholders and make himself/herself available to respond to any shareholder's questions on the Committee's activities.

10. **Continuing Application of the Bye-laws of the Company**

- 10.1 The Bye-laws of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the Meetings and proceedings of the Committee.

11. **Powers of the Board**

- 11.1 The Board may, subject to compliance with the Bye-laws of the Company and the Listing Rules (including the Corporate Governance Code and practices set out in Appendix 14 to the Listing Rules or if adopted by the Company, the Company's own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.
- 11.2 The power to interpret these terms of reference shall vest in the Board.
- 11.3 These terms of reference shall be made available to the public by including the information on the Company's website and The Stock Exchange's website.

- END -

(If there is any inconsistency between the English and Chinese version of these terms of reference, the English version shall prevail.)