

PACIFIC ANDES INTERNATIONAL HOLDINGS LIMITED
(the “Company”)

Terms of Reference
of
Audit Committee
(revised and adopted on 3 January 2019)

The Audit Committee (“AC”) was established by the board of directors of the Company (the “Board”) for the purposes of monitoring the formal and transparent arrangements to enable the Board to consider how the application of the financial reporting and internal control principles and the maintenance of an appropriate relationship with the Company’s auditors can be improved on an on-going basis.

1. Terms of Reference

The terms of reference of the AC are as follows:

Relationship with external auditors

- a. 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;
- b. to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The AC shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- c. 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 relevant information would conclude to be part of the audit firm nationally or internationally. The AC shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- d. to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- e. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- f. to act as the key representative body for overseeing the Company's relationship with the external auditor;

Review of financial information of the Company

- g. to monitor integrity of the financial statements of the Company and its subsidiaries (the "Group") and the Company's annual report and accounts, half-year report (and, if prepared for publication, quarterly reports), and to review significant financial reporting judgments contained in them before submission to the Board. The AC should 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 Listing Rules and legal requirements in relation to financial reporting;

- h. In regard to (g) above:
 - (i) members of the AC shall liaise with the Board and senior management and the AC must meet, at least twice a year, with the Company's auditors; and
 - (ii) the AC shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and 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;
- i. to review the Group's financial and accounting policies and practices;

Oversight of the Company's financial reporting system and internal control procedures

- j. to review the Group's financial controls, internal control and risk management systems;
- k. to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion will include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions;
- l. to consider major investigations findings on any internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- m. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function has adequate resources and appropriate standing within the Group, and to review and monitor its effectiveness;

Others

- n. to review an employment of any former employee of the external auditors by the Group;
- o. to review arrangements/policies of the group whereby employees are aware of the channel for approaching the audit committee to raise concerns about possible improprieties in financial reporting, internal control or other matters. The AC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
- p. to report to the Board on the matters set out herein and the provisions of the Corporate Governance Code; and
- q. to consider other topics, as defined by the Board.

2. Membership

- a. The AC shall consist of at least three members appointed by the Board, a majority of whom shall be independent non-executive directors. Members of the AC shall elect the chairman of the AC (the “Chairman”).
- b. If a member, for any reason, ceases to be a member of the AC, the Board shall appoint a new member so that the number of members does not fall below 3.
- c. A member who wishes to retire or resign from the AC shall notify the Board in writing, giving at least 7 days’ notice.
- d. The office of a member shall become vacant upon the member’s resignation/retirement/removal or disqualified as a director of the Company, unless resolved to the otherwise by the Board.
- e. The company secretary of the Company or such other person as nominated by the AC shall be secretary of the AC (the “Secretary”).

- f. A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the AC for a period of two years from the date of the person ceasing:
 - (i) to be a partner of the firm; or
 - (ii) to have any financial interest in the firm,whichever is later.

3. Proceedings

- a. Unless varied by these terms of reference, meetings and proceedings of the AC will be governed by the Company's Bye-laws regulating the meetings and proceedings of directors and committees of the Board.
- b. Full minutes of meetings of the AC should be kept by Secretary. Draft and final versions of minutes of meetings should be sent to all members of the AC for review, comment and records respectively, in both cases within a reasonable time after meeting.
- c. If the Chairman so decides, the minutes of the AC meeting shall be circulated to other members of the Board. Any director may, provided that there is no conflict of interest and with the agreement of the Chairman, obtain copies of the minutes of the AC meetings.

4. General

- a. "Senior Management" means the same category of persons as referred to the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 of the Listing Rules.
- b. "Listing Rules" means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. "Corporate Governance Code" refers to the code under Appendix 14 of the Listing Rules.
- c. These terms of reference may from time to time be amended, as required, subject to the approval of the Board.