

EC-FOUNDER (HOLDINGS) COMPANY LIMITED  
("the Company")

TERMS OF REFERENCE  
OF  
AUDIT COMMITTEE  
("the Committee")

**Membership**

1. The Committee shall be appointed by the Board of Directors (the "Board") from amongst the non-executive Directors of the Company only and consists of a majority of (including the Chairman) independent non-executive Directors. At least one of the members shall be an independent non-executive Director with appropriate professional qualifications of accounting or related financial management expertise as required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules").
2. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive Director.

**Frequency and proceeding of meetings**

3. The Qualified Accountant of the Company, and a representative of the external auditors of the Company shall normally attend meetings of the Committee. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without the presence of executive Board members.
4. The Company Secretary shall be the secretary of the Committee.
5. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.
6. The quorum of meetings shall be two independent non-executive Directors.

**Duties, powers and functions**

7. Relationship with the Company's auditors
  - (a) to be primarily responsible for making recommendation 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 resignation or dismissal of that external auditors;
  - (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences; and
  - (c) to develop and implement policy on the engagement of external auditors to supply non-audit services. For this purpose, external auditors 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 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.

8. Review of financial information of the Company

- (a) to monitor integrity of financial statements of the Company and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements 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;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (b) in regard to 8(a) above:
  - (i) members of the Committee must liaise with the Board, senior management and the Qualified Accountant and the Committee must meet, at least once 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 and must give due consideration to any matters that have been raised by the Company's Qualified Accountant, compliance officer or external auditor.

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

- (a) to review the Company's financial control, internal control and risk management systems;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) to review the financial and accounting policies and practices of the Company and its

subsidiaries (the “Group”);

- (f) to review the external auditors’ management letter, any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management’s response;
  - (g) to ensure that the Board will provide a timely response to the issues raised in the external auditors’ management letter;
  - (h) to report to the Board on the matters set out in the code provision (in respect of Audit Committee) pursuant to “Appendix 14 – Code on Corporate Governance Practices”; and
  - (i) to consider other topics, as defined by the Board.
10. Where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in its Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
11. In addition, the Committee is authorised by the Board:-
- (a) to investigate any activity within its Terms of Reference, and the executive Directors shall ensure that members of the Committee are provided with full and unlimited access to all books and accounts of the Group;
  - (b) to seek any information it requires from any employee, consultant or adviser of the Group, and all employees, consultants and advisers of the Group are directed to co-operate with any request made by the Committee;
  - (c) to obtain advices from outside legal or other independent professional advisers whose fees and expenses shall be borne by the Company, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
  - (d) to obtain sufficient resources from the Company to discharge its duties.

### **Reporting procedures**

13. The secretary of the Committee shall send draft and final versions of the minutes of meetings of the Committee to all members of the Committee for their comment and records respectively, within a reasonable time after the meetings.

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