

**TOPSEARCH INTERNATIONAL (HOLDINGS) LIMITED**  
**(“COMPANY”)**

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Terms of reference of the Audit Committee (“**Committee**”)  
of the Board of Directors (“**Board**”) of the Company  
as revised and adopted by the Board  
on 10 September 2009

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**1. Constitution**

- 1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 30 May 2002.
- 1.2 These terms of reference had been revised and adopted by the Board on 10 September 2009.

**2. Membership**

- 2.1 Members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of which shall be independent non-executive directors of the Company and at least one of whom should possess appropriate professional qualifications or accounting or related financial management expertise.
- 2.2 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year commencing on the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.
- 2.3 The Chairman of the Committee (“**Chairman**”) shall be appointed by the Board. The Chairman must be an independent non-executive director of the Company.
- 2.4 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.
- 2.5 A Committee member may not appoint any alternate.

### **3. Secretary**

3.1 The secretary of the Committee shall be appointed by the Board from time to time.

### **4. Proceedings of the Committee**

#### **4.1 Notice**

Notice of any Committee meetings has to be given not less than two clear days (including non-working days) prior to such meeting being held unless all Committee members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Committee member shall be deemed waiver of the requisite length of notice by the Committee member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.

A Committee member may and, on the request of a Committee member, the secretary to the Committee shall, at any time summon a Committee meeting.

Notice shall be given to each Committee member in person, orally or in writing or by telephone or by telex or telegram or facsimile transmission at the telephone or facsimile or address from time to time notified to the secretary by such Committee member or in such other manner as the Committee members may from time to time determine.

Any notice given orally shall be confirmed in writing. Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting.

#### **4.2 Quorum**

The quorum of the Committee meeting shall be two members of the Committee.

If within thirty minutes from the time appointed for a meeting, a quorum is not present, upon majority agreement by the Committee members present, the meeting shall stand adjourned. The Committee secretary or any Committee member can issue the notice for adjourned meeting. If within ten minutes from the time appointed for the adjourned meeting, a quorum is not present, the

Committee members present shall duly constitute a quorum and shall be entitled to exercise all the powers conferred upon the Committee.

#### **4.3 Chairman**

The chairman of the Committee shall preside as the chairman of a Committee meeting. If within fifteen minutes from the time appointed for the meeting, the chairman of the Committee is not present, other Committee members present shall choose someone from their number to be the chairman of the meeting.

#### **4.4 Vote**

Each Committee member present in a meeting shall have one vote. All resolutions passed in the meeting shall be by majority votes. If the votes for and against a resolution are equal, the chairman of the meeting shall have a casting vote.

#### **4.5 Attendees of meetings**

The financial controller of the Group (or any officer(s) assuming the relevant functions but having a different designation) and representative(s) of the external auditors shall normally attend meetings. Other Board members, external advisers and other persons shall also have the right of attendance the whole or any part of the Committee meeting at the invitation of the Committee members. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.

#### **4.6 Number of meetings**

Meetings shall be held at least once in a half year to consider the budget, revised budget and interim or annual report prepared by the Board. The external auditors may request the Chairman of the Committee to convene a meeting, if they consider that one is necessary.

#### **4.7 Written resolutions**

Written resolutions may be passed by all Committee members in writing. It shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

## 5. Authority of the Committee

5.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (together the “**Group**”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- (b) to 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), Listing Agreement and other rules and regulations from time to time determined by the Board or a committee hereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request the management to make investigation and submit report;
- (d) to review the Group’s internal control procedures and system;
- (e) to review the performance of the Group’s employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group’s internal control procedures and system;
- (g) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditors of the Group; and
- (h) to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary.

## 6. Duties

6.1 The duties of the Committee shall be:

- (a) to consider and recommend to the Board on the appointment, reappointment and removal of the external auditors, and to approve its remuneration and terms of engagement, and any questions of resignation or dismissal of the 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;
- (c) to discuss with the external auditors before the audit commences, the nature and scope of the audit and reporting obligations and to ensure co-ordination where more than one audit firm is involved;
- (d) to develop and implement policy on the engagement of the external auditors to supply non-audit services, and to 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.

For this purpose, the 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.

- (e) 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 judgements contained in them, and to review, in draft form, the Company's interim and annual financial statements and reports, and if prepared for publication, quarterly reports before submission to the Board, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the 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 to the interest of the shareholders of the Company;
  - (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;
  - (ix) 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;
  - (x) the cashflow position of the Group; and
  - (xi) to provide advice and comments thereon to the Board;
- (f) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
  - (g) to review the external auditor's 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;
  - (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's responses;
  - (i) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

- (j) to review the Company's financial controls, internal control and risk management systems, and the statement(s) on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (k) 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 Company's accounting and financial reporting function, and their training programmes and budget;
- (l) (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;
- (m) to review the Group's financial and accounting policies and practices;
- (n) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports (if necessary);
- (o) to consider the appointment of any person to be a Committee member, a company secretary, auditors and accounting staff either to fill a casual vacancy or as an additional Committee member, company secretary, auditors and accounting staff or dismissal of any of them;
- (p) to have the chairman of the Committee or any Committee member attending the Company's annual general meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.
- (q) to report to the Board on the matters set out in this code provision; and
- (r) to consider other matters, as defined or assigned by the Board from time to time.

6.2 The Committee shall be provided with sufficient resources to discharge its duties.

## **7. Veto rights of the Committee**

7.1 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 independent non-executive directors and the independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or the internal audit manager.

## **8. Reporting procedures**

8.1 The secretary to the Committee shall circulate the minutes of meetings and all written resolutions of the Committee to all members of the Committee and members of the Board (only upon their request).

## **9. Minutes**

9.1 Full minutes of the Committee should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary).

Draft and final versions of minutes of the Committee meetings should be sent to all Committee members for their comment and records respectively, in both cases within a reasonable time after the meeting.

## **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 Code of Best practice), 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.