

**SANDMARTIN INTERNATIONAL HOLDINGS LIMITED**  
*(incorporated in Bermuda with limited liability)*  
(the “**Company**”)

**Terms of reference of the Audit Committee**

The Audit Committee

The board of directors (the “**Board**”) of **Sandmartin International Holdings Limited** (the “**Company**”) established a committee of the Board known as the Audit Committee (the “**Audit Committee**”), a summary of its constitution and particular duties are set out below:-

**1. Membership**

- 1.1 The Audit Committee shall be appointed by the Board and should comprise a minimum of three members (the “**Members**”).
- 1.2 The Members shall be appointed from amongst the non-executive Directors of the Company. The majority of Members should be Independent non-executive Directors of the Company, at least one of whom is an Independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The Board shall appoint the chairman of the Audit Committee. The chairman must be an Independent non-executive Director.
- 1.4 A former partner of the Company's existing auditing firm shall not act as a member of the Audit Committee until one year after the commencement of the later of the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.
- 1.5 The term of each appointment to the Members of the Audit Committee shall be determined by the Board upon appointment.

**2. Secretary**

- 2.1 The Company Secretary shall be the secretary of the Audit Committee.
- 2.2 The Audit Committee may from time to time appoint another secretary with appropriate qualification and experience.

**3. Meetings**

- 3.1 Meetings shall be held not less than two times a year. The external auditors of the Company may make the request to the chairman of the Audit Committee to convene a meeting of the Audit Committee if necessary.
- 3.2 Notice of each meeting confirming the venue, time and date shall be sent to each member of the Audit Committee, and to any other person required to attend in relation to all regular meetings of the Audit Committee, at least 14 days before the date of the meeting, unless such notification is waived by all members of the Audit Committee. Notwithstanding the notification period, the attendance of the member of the committee at the meeting would deem to be treated as the waiver of the required notification requirement. If the continued meetings held within 14 days, no prior notice is required.

- 3.3 The quorum of Audit Committee meetings shall be two members, one of them should be an Independent non-executive Director.
- 3.4 Meeting can be attended in person or via electronic means including telephonic or video conferencing. The Members may attend meetings either in person, by telephone or through other electronic means of communication (which are available to all attended parties).
- 3.5 Resolutions of the Audit Committee shall be passed with a majority of votes.
- 3.6 Resolutions signed by all Members of the Audit Committee will be treated valid as if it is passed in the meeting held by the Audit Committee.
- 3.7 Minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee and shall be available for inspection by any member of the Audit Committee and/or any Director of the Company at any reasonable time on reasonable notice. Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comments and records respectively, in both cases within a reasonable time after the meeting. Once they are agreed, the secretary of the Audit Committee shall circulate the minutes and reports of the Audit Committee to all members of the Board.

#### 4. **Attendance of Meetings**

- 4.1 The Audit Committee shall attend meetings at least twice a year with the external auditors without executive Board members present (except those invited by the Audit Committee).
- 4.2 Upon invitation by the Audit Committee, the following persons may attend all or any of the meetings: (a) the head of internal audit (if absence) the representative of internal audit; (b) the financial controller; and (c) other Board members.
- 4.3 Only the Members shall have the voting powers in the meeting.

#### 5. **Annual general meetings**

- 5.1 The chairman of the Audit Committee shall endeavour to attend the annual general meetings of the Company and be prepared to respond to any shareholder questions on the Audit Committee's activities. If the chairman of the Audit Committee is unable to attend, a member of the Audit Committee (who must be an Independent non-executive director) shall attend the annual general meeting of the Company. Such person shall be prepared to respond to any shareholder questions on the Audit Committee's activities.

#### 6. **Duties and responsibilities**

The Audit Committee is responsible for reviewing and monitoring the financial reporting and internal control principles of the Company, and assist the Board to fulfill its responsibility over the audit. The Audit Committee's duties and powers should include:

- 6.1 The relationship with the external auditors of the Company:
  - 6.1.1 to make 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 resignation or dismissal of that auditor;

Note: Under the Listing Rules 13.51(4), an announcement must be published in relation to any change of auditors and any other matters that need to be brought to the attention of holders of securities.

- 6.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
  - 6.1.3 the Audit Committee should discuss with the nature and scope of the audit and reporting obligations before the audit commences;
  - 6.1.4 to develop and implement policy on the engagement of external auditor to supply non-audit services. For this purpose, external auditor 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; and
  - 6.1.5 to report to the Board and to identify any matters in respect of which it considers that action or improvement is needed and to make recommendations as to the steps to be taken.
- 6.2 reviewing the financial information of the Company:
- 6.2.1 to review and monitor the integrity of financial statements of the Company and the Company's annual report and accounts and half-year report (if applicable) and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein, and to review the half-year, and annual financial statements (if applicable) before submission to the Board, focusing particularly on:
    - (a) any changes in accounting policies and practices;
    - (b) major judgemental areas;
    - (c) significant adjustments resulting from the audit;
    - (d) going concern assumptions and any qualifications;
    - (e) compliance with accounting standards; and
    - (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting.
  - 6.2.2 In regard to the above duties,
    - (a) the Audit Committee members shall liaise with the Board and senior management of the Company;
    - (b) the Audit Committee must meet, at least twice a year, with the external auditor; and
    - (c) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and to 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.
- 6.3 monitoring the Company's financial and internal control procedures:
- 6.3.1 to review the Company's financial controls, internal control and risk management systems;
  - 6.3.2 to discuss with 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;
  - 6.3.3 to consider any findings from major investigations of internal control matters as delegated by the Board or on its own initiative and management's response to such findings;

- 6.3.4 where an internal audit function exists, to review the internal audit programme, ensure co-ordination between the internal and external auditors, and 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;
- 6.3.5 to review the Group's financial and accounting policies and practices;
- 6.3.6 to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- 6.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.3.8 to act as the key representative body for overseeing the Company's relationship with the external auditor;
- 6.3.9 to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- 6.3.10 to report to the Board on the matters set out herein; and
- 6.3.11 to consider other matters, as required by the Board, to be performed by the Audit Committee.

## 7. **Reporting responsibilities**

- 7.1 After each meeting, the Audit Committee shall report formally to the Board on all matters within its duties and responsibilities.

## 8. **Authority**

- 8.1 The Audit Committee is authorized by the Board to investigate any financial information and records of the Company.
- 8.2 The Audit Committee is authorized by the Board when necessary to seek any financial information it requires from any employee of the Company and its subsidiaries, to require any of them to prepare and supply financial information and answer questions raised by the Committee.
- 8.3 The Audit Committee is authorized by the Board when necessary to obtain outside legal or other independent professional advice in connection with its duties at the Company's expense.

Note: All such arrangements of obtaining outside legal or other independent professional advice may be made by the company secretary

- 8.4 The Audit Committee shall have access to sufficient resources in order to discharge its duties.

*“Senior management” refers to the same category of persons as referred to in the Company’s annual report. It is the responsibility of the directors of the Company to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries, heads of divisions, departments or other operating units within the group as, in the opinion of the directors, is appropriate.*