



## NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司\*  
(Incorporated in Cayman Islands with limited liability)  
(Stock Code: 360)

### Audit Committee - Terms of Reference

#### 1. ORGANIZATION

The board (“**Board**”) of the directors of the Company (“**Directors**”) has resolved to set up an audit committee (“**Committee**”).

#### 2. OBJECTIVE

The Committee is to serve as a focal point for communication with the Company’s auditors, to review the Company’s financial information and monitor the Company’s financial reporting system and internal control procedures, and to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries, and as to the adequacy of the external and internal audits. The Committee is accountable to the Board.

#### 3. COMPOSITION

3.1 The Committee shall comprise non-executive Directors who are appointed or removed by the Board. If any member of the Committee (“**Member**”) ceases to be a Director, he/she will cease to be a Member automatically. The vacancy will be filled by appointment of new Member by the Board. The Committee must comprise a minimum of three Members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

3.2 The majority of the Members shall be independent non-executive Directors.

3.3 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive Director.

\* For identification purposes only

3.4 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Company's audit committee for a period of 1 year from the date of his ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm.

#### **4. SECRETARY**

Save as otherwise appointed by the Committee, the Company Secretary shall be the secretary of the Committee.

#### **5. AUTHORITY**

5.1 The Committee is authorized to conduct any investigation within its scope of powers. The Committee shall have the powers to demand any information necessary from any employees of the Company, and all employees shall be instructed to cooperate with the Committee and satisfy any of its requests.

5.2 The Committee is authorized to seek external legal advice or other independent professional advice, and to invite externals who possess relevant experience and professional knowledge to attend meetings if it deems necessary.

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

#### **6. DUTIES**

The duties of the Committee are as follows:

##### **Relationship with the Company's auditors**

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditor, and to approve the remuneration and terms of engagement of the Company's external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. Should there be more than one auditor firms participating, the Committee shall ensure the coordination between them;

- (c) to develop and implement policy on engaging the Company's 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 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;

### **Review of the Company's financial information**

- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these 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 assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:
  - (i) Members should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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;
- (f) to discuss with the Company's external auditors questions and doubts arising in audit of interim and annual accounts, and other matters that the auditors wish to discuss (may conduct in the absence of the Company's management if necessary);
- (g) to review the letter to the Company's management from the Company's external auditors and the management's response;

- (h) if the Company's annual report includes statement about the Company's internal audit system, to review such statement prior to submission for the Board's approval;

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

- (i) to review the Company's financial reporting, financial controls, internal control and risk management systems;
- (j) to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (k) to consider major investigation findings on internal control matters as delegated by the board or on its own initiative and management's response to these findings;
- (l) where an internal audit function exists in the Company, to review the internal audit plan, to ensure co-ordination between the Company's internal and external auditors, and to ensure that the Company's internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (m) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (n) to 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;
- (o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) to report to the Board on the matters in this terms of reference; and
- (q) to consider other topics, as defined by the Board;

## **Others**

- (r) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (s) to act as the key representative body for overseeing the Company's relations with the Company's external auditor.

## **7. MEETING OF THE COMMITTEE**

### **7.1 Number of meeting**

There shall be at least two meetings of the Committee annually to be convened and held by attending in person, telephone or video conference. Where necessary, an extraordinary meeting may be convened. Any Member or the Company's external auditors may demand meeting to be convened if required.

### **7.2 Notice of meeting**

Unless waived by all Members on notice, the secretary to the Committee shall give seven days prior notice to all Members for any meeting to be convened and circulate the meeting agenda to the Members, and shall give one day prior notice for any extraordinary meeting to be convened.

### **7.3 Quorum**

Meetings of the Committee shall be attended by more than one-half of the Members to be effective.

### **7.4 Conducting the meetings**

Meetings should be convened by attending in person, telephone or video conference. Members could attend the meetings through telephone conference or similar arrangement which Members could communicate to each other. With consent by all Members, resolutions of the Committee could be passed by written resolutions.

### **7.5 Resolutions**

Any resolution shall be passed by the majority votes of the Members who attend the meeting.

## **7.6 Invitations**

The Committee could invite any executive Directors, external advisers or other individuals to attend the meeting but such executive Directors, advisers or individuals are not entitled to vote at the meetings.

## **7.7 Minutes of the meetings**

Full minutes of meetings should be kept by the secretary of the Committee. Minutes shall record matters considered and decisions reached by the Members in details, including any doubt or disagreement raised by the Members. Draft and final versions of the minutes of the meetings should be sent to all Members for their comment and records, within a reasonable time after the meetings. The final version of the minutes, once has been finalized, shall be submitted by the secretary to the Board for record.

## **8. GENERAL MEETING**

Chairman of the Committee or his/her nominee shall participate in the annual general meeting and respond to possible questions raised by the shareholders regarding policy, work and duties of the Committee. Unless authorized by the Board, the attending Member shall have obligation to keep all matters of the meeting confidential and shall not disclose the relevant information.

## **9. REPORT**

The secretary to the Committee shall circulate the minutes of the Committee meetings and report of the Committee to all members of the Board. Chairman of the Committee or his/her nominee who chair the meetings shall report to the Board after each meeting of the Committee.

( This Terms of Reference was adopted, with effect from March 31 2012, by the Board pursuant to its resolution passed on March 30 2012. )