



QPL INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 243)

AUDIT COMMITTEE TERMS OF REFERENCE

Approved and adopted on 23 January 2006

(Revised on 23 October 2006, 21 January 2009, 7 March 2012

and 7 January 2016)

Principle

Members of the Audit Committee shall be appointed by the board of directors (the “Board”) of QPL International Holdings Limited (the “Company”) to assist the Board in establishing formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company’s auditors.

Membership

1. The Audit Committee shall consist of at least three (3) members and all members must be independent non-executive directors of the Company.
2. The Chairman of the Audit Committee shall be elected by its members.
3. At least one of the Audit Committee members should possess appropriate professional qualifications or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as amended from time to time.
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the 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,whichever is later.
5. Members will be subject to re-election as a Board member by shareholders at the general meeting of the Company.
6. The company secretary of the Company or such other person nominated by the Board shall act as the secretary of the Audit Committee.

Frequency and proceedings of Meetings

7. Meetings shall be held not less than two (2) times a year and should correspond with the Company's financial reporting cycle. Additional meetings should be held whenever necessary and as the work of the Audit Committee demands. The Audit Committee must meet, at least twice a year, with the Company's auditors.
8. The Chairman of the Audit Committee may convene additional meetings at his discretion as he deems fit.
9. A quorum of any meeting of the Audit Committee shall be two (2) members.
10. Only Audit Committee members have the right to attend Audit Committee meetings. The Audit Committee however may invite other persons such as the management of the Company and external advisers to its meetings, as it deems necessary.
11. The secretary of the Audit Committee shall circulate the draft agenda and accompanying papers regarding the Audit Committee meetings to all members in a timely manner, so far as practicable, at least three (3) days in advance of each meeting for their comments.
12. The secretary of the Audit Committee shall circulate the draft and final versions of minutes of the meetings to all committee members for their comment and records within a reasonable time after the meeting.
13. The secretary of the Audit Committee shall keep full minutes of Audit Committee meetings.
14. In the absence of the secretary, a member of the Audit Committee shall act as the secretary.
15. The Audit Committee shall be accessible to the external auditor without management of the Company present should the auditor and/or the Audit Committee members consider it necessary.

Duties

16. The Audit Committee shall:

Relationship with the Company's auditors

- a) Primarily be 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) Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- c) Discuss with the auditor as to the nature and scope of the audit and review and reporting obligations before the audit and review commences;
- d) Generally prohibit the engagement of the external auditor to supply non-audit and non-review services except for tax-related services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, prior approval of the Audit Committee is required. 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;
- e) Report to the Board, identify and make recommendations on any matters where action or improvement is needed; and
- f) Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Review of the Company's financial information

- g) Monitor integrity of the Company's financial statements and annual report and accounts, interim report and quarterly reports (if any), and review significant financial reporting judgments contained in them before submission to the Board, with particular focus on the following matters:–
 - 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, the members of the Audit Committee should:
 - i. liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors;
 - ii. consider any significant or unusual items that are, or may need to be, reflected in the report and accounts; and
 - iii. 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.

Oversight of the Company's financial reporting system, risk management and internal control systems

- i) Review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- j) Discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- k) Consider major investigation findings on risk management and internal control matters as delegated by the Board or on the Audit Committee's own initiative and management's response to these findings;
- l) Review the financial and accounting policies and practices adopted by the Company and its subsidiaries;
- m) 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;
- n) Ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;
- o) (where an internal audit function exist) 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 its effectiveness;

- p) Report to the Board on the matters in this section 16;
- q) Consider other topics, as defined by the Board;
- r) 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 Audit 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) Act as the key representative body for overseeing the Company's relations with the external auditor.

Supply and access to information

- 17. The Audit Committee should be provided with sufficient resources to perform its duties which include:
 - a) to have access to all books and accounts of the Company;
 - b) to seek any information it requires from any employee, consultant or adviser of the Company, and all employees, consultants and advisers of the Company are directed to co-operate with any request made by the Audit Committee; and
 - c) to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant expertise if it considers this necessary.

Review of the Audit Committee Charter

- 18. Review the terms of reference annually and discuss any required changes with the Board.
- 19. Ensure that the terms of reference is approved or re-approved by the Board.

Procedures

- 20. The Audit Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

– End –