

  
**NVC LIGHTING HOLDING LIMITED**  
**雷士照明控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 2222)**

**Terms of Reference for the Audit Committee**

As amended, 26 March 2012

**Definitions**

1. For the purposes of these terms of reference (the *Terms*):

*Audit Committee* means the audit committee established by resolution of the Board in accordance with clause 2 of these Terms.

*Board* means the board of directors of the Company.

*Chief Financial Officer* means the senior officer of the Company responsible for financial management as appointed by the Board from time to time.

*Company* means NVC Lighting Holding Limited.

*Company Secretary* means any one of the joint company secretaries of the Company.

*Directors* means the members of the Board.

*Group* means the Company and its subsidiaries and associated companies at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries and associated companies, the present subsidiaries and associated companies of the Company or the businesses operated by its present subsidiaries and associated companies or (as the case may be) its predecessor.

*Listing Rules* mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).

*Senior Management* means the chairman, chief executive officer, chief operating officer, chief financial officer, vice presidents, joint company secretaries and any other officer of the Group determined by the Board from time to time as senior management of the Company.

*Shareholders* means the shareholders of the Company.

*Stock Exchange* means The Stock Exchange of Hong Kong Limited.

## **Constitution**

2. The Audit Committee was established by resolutions of the Board on 27 April 2010.

## **Membership**

3. The members of the Audit Committee shall be appointed by the Board from among the non-executive Directors and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. The quorum for meetings of the Audit Committee shall be two members.

4. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year commencing 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. The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.

## **Attendance at meetings**

6. The Chief Financial Officer, the personnel responsible for internal audit of the Company and a representative of the external auditors shall normally attend meetings of the Audit Committee. However, at least twice a year the Audit Committee shall meet with the external and internal auditors without the presence of the executive Directors.

## **Frequency and conduct of meetings**

7. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

8. An agenda and accompanying papers should be sent in full to all members of the Audit Committee in a timely manner and at least 3 days before the intended date of a meeting of the Audit Committee (or such other period as agreed or waived by its members).

9. Senior Management is obliged to supply the Audit Committee with adequate information, in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a Director requires more information than is volunteered by Senior Management, the relevant Director should make additional necessary enquiries. The Board and each Director shall have separate and independent access to the Senior Management.

## **Annual General Meetings**

10. The chairman of the Audit Committee shall attend the Company's annual general meetings and be prepared to respond to any Shareholder's questions on the Audit Committee's activities.

## **Authority**

11. The Audit Committee is authorised by the Board to investigate any activity within these Terms. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

12. The Audit Committee is authorised by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit Committee shall be provided with sufficient resources to perform its duties. The Audit Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Audit Committee.

## **Duties**

13. The duties of the Audit Committee shall include:

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

- (a) being primarily 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 to consider any questions of its resignation or dismissal;
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) developing and implementing policy on engaging an external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) discussing with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Senior Management where necessary);

*Review of financial information of the Group*

- (f) monitoring integrity of the Group's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In reviewing these aforementioned reports before submission to the Board, the Audit Committee shall 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 any requirements from the Stock Exchange and other legal requirements in relation to financial reporting;
- (g) Regarding (f) above:
  - (i) liaising with the Board, Senior Management and the person appointed as the Company's qualified accountant;
  - (ii) meeting, at least twice a year, with the Group's auditors; and
  - (iii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Group's qualified accountant, compliance officer or auditors;

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

- (h) reviewing the Group's financial controls, internal control and risk management systems;
- (i) discussing the Group's internal control system with Senior Management to ensure that Senior Management has performed its duties in establishing and maintaining an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function;
- (j) considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and Senior Management's response to these findings;

- (k) where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring its effectiveness;
- (l) reviewing the Group's financial and accounting policies and practices;
- (m) reviewing the external auditor's management letter, any material queries raised by the auditor to Senior Management regarding the accounting records, financial accounts or systems of control and Senior Management's response;
- (n) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) reporting to the Board on the matters in these Terms;
- (p) reviewing arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (q) acting as the key representative body for overseeing the Group's relationship with the external auditor;
- (r) establishing a whistleblowing policy and system for the employees and those who deal with the Group to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Group;
- (s) considering any other topics, as defined by the Board;

*Corporate governance duties as delegated by the Board*

- (t) developing and reviewing the Group's policies and practices on corporate governance and making recommendations to the Board;
- (u) reviewing and monitoring the training and continuous professional development of Directors and Senior Management;
- (v) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;
- (w) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (x) reviewing the Group's compliance with the Corporate Governance Code and disclosure in the corporate governance report; and
- (y) performing any other duty prescribed by law, regulation and rules, as amended from time to time, which set forth obligations for the Company to comply with.

### **Disagreement as to external auditors**

14. In the event the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall provide a statement explaining its recommendations to the Company for inclusion in the Corporate Governance Report issued by the Company in accordance with Appendix 23 of the Listing Rules.

### **Reporting procedures**

15. Full minutes of the Audit Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary or his appointed delegate), and shall be available for inspection at any reasonable time on reasonable notice by any Director.

Minutes of meetings of the Audit Committee shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes should be sent to all members of the Audit Committee for their comment and records within a reasonable time after such meetings.

16. Without prejudice to the generality of the duties of the Audit Committee set out in these Terms, the Audit Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

### **Terms available**

17. The Audit Committee shall make available these Terms on request and by inclusion on the website of the Company and the Stock Exchange, thereby explaining its role and the authority delegated to it by the Board.