



TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司*

(於百慕達註冊成立之有限公司)

(股份代號: 333)

AUDIT COMMITTEE **TERMS OF REFERENCE**

1. Membership

- 1.1 Members of the Audit Committee (the “Committee”) shall be appointed by the Board from amongst the Non-Executive and Independent Directors of the Board, a majority of whom should be independent and shall consist of not less than three members. A quorum shall be two members.
- 1.2 The Chairman of the Committee (the “Chairman”) shall be an Independent Non-Executive Director and appointed directly by the Board.

2. Attendance at meetings

- 2.1 The Chief Financial Officer and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. At least once a year the Committee shall meet with external auditors without the presence of Executive Board members.
- 2.2 Any member of the Committee or the Company Secretary appointed by the Chairman shall be the secretary of the Committee.
- 2.3 Audit Committee meetings should follow an agenda to impose form and discipline and to help the Audit Committee Chairman to control the meetings.

3. Frequency of meetings

- 3.1 Meetings shall be held not less than twice a year (i.e. before and after year-end audit). The external auditors may request additional meetings if necessary.

4. Authority

- 4.1 The Committee is authorized by the Board to investigate any activity within the terms of reference set out herein. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request by the Committee.

* For identification purpose only

- 4.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary.

5. Duties

The duties of the Committee shall be:

5.1 Relationship with the auditors

- 5.1.1 to be 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 any questions of its resignation or dismissal;
- 5.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.1.3 to develop and implement policy on engaging an 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 audit committee should report to the board, identifying and making recommendations on any matters where action or improvement is needed; and
- 5.1.4 to act as the key representative body for overseeing the issuer's relations with the external auditor;

5.2 Review of financial information

- 5.2.1 to monitor integrity of financial statements and the 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:-
- (1) any changes in accounting policies and practices;
 - (2) major judgmental areas;
 - (3) significant adjustments resulting from audit;
 - (4) the going concern assumptions and any qualifications;
 - (5) compliance with accounting standards; and

- (6) compliance with the Listing Rules and legal requirements in relation to financial reporting;

5.2.2 Regarding 5.2.1 above:-

- (1) members of the committee should liaise with the board of directors and senior management and the committee must meet, at least twice a year, with the auditors; and
- (2) the committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and 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;

5.3 Oversight of the financial reporting system and internal control procedures

5.3.1 to review the financial controls, internal control and risk management systems;

5.3.2 to discuss the internal control system with 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 programmes and budget of the Company's accounting and financial reporting function;

5.3.3 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;

5.3.4 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 group, and to review and monitor its effectiveness;

5.3.5 to review the group's financial and accounting policies and practices;

5.3.6 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;

5.3.7 to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter;

5.3.8 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, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;

5.3.9 to report to the board on the matters set out above; and

5.3.10 to consider other topics, as defined by the board.

6. Reporting Procedures

- 6.1 The secretary of each Committee meeting shall circulate the minutes of meetings of the Committee to all members of the Committee and the Board. The Audit Committee Chairman shall formally approve minutes of the Committee meetings.