



SOUNDWILL HOLDINGS LIMITED

金朝陽集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

TERMS OF REFERENCE - AUDIT COMMITTEE

1. Constitution

The audit committee (the “**Audit Committee**”) was formed pursuant to the resolution of the board of Director (the “**Board**”) of Soundwill Holdings Limited (the “**Company**”).

2. Membership

- 2.1 The Audit Committee consists of at least three independent non-executive directors (“**INED**” or “**INEDs**”) appointed by the Board from time to time.
- 2.2 At least one of the Audit Committee members should possess appropriate professional qualification or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 2.3 The chairman of the Audit Committee shall be appointed by the Board and shall be an INED.
- 2.4 The Company’s external auditors shall be invited to attend meetings of the Audit Committee on a regular basis.

3. Frequency and proceedings of meetings

- 3.1 The Audit Committee shall meet at least twice every year. Additional meetings shall be held as the work of the Audit Committee demands.
- 3.2 The quorum for the meetings of the Audit Committee shall be any two members.
- 3.3 The company secretary of the Company shall be the secretary of the Audit Committee.
- 3.4 Unless otherwise provided in these terms of reference, all of the provisions of the Bye-laws of the Company regulating meetings and proceedings of the Board shall govern the meetings and proceedings of the Audit Committee.
- 3.5 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be sent to each Audit Committee Member and any other person required to attend the meeting at least 14

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days before the date of the meeting. Supporting/information papers shall be sent to the Audit Committee members and to any other attendees at least 3 working days in advance of the meeting or as otherwise agreed.

4. Authority

- 4.1 The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it may require from any employee and all employees are directed to cooperate with any request made by the Audit Committee.
- 4.2 The Audit Committee shall be provided with sufficient resources to perform its duties. Where necessary, the Audit Committee may obtain independent professional advice, at the Company's expense, to perform its duties.

5. Duties

The duties of the Audit Committee shall include the followings:

Relationship with the Company's external auditors

- 5.1 to be primarily responsible for making 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;
- 5.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.3 to develop and implement policy on the engagement of 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 having knowledge of 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 recommendation on any matters where action or improvement is needed;
- 5.4 to report to the Board, identify and make recommendations on any matters where action or improvement is needed; and
- 5.5 to act as key representative body for overseeing the Company's relations with the external auditor;

Review of financial information

- 5.6 to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee should focus particularly on:
 - (a) any changes in accounting policies and practices;

- (b) major judgmental areas;
- (c) significant adjustments resulting from audit;
- (d) the 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.

5.7 in regard to (5.6) above:

- (a) members of the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; the person appointed as the Company staff responsible for accounting and financial reporting function; and
- (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and it should give due consideration to any matters that have been raised by the Company staff responsible for the accounting and financial reporting function, compliance officer or auditors;

5.8 to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

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

5.9 to review the Company's financial controls, internal control and risk management systems;

5.10 to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system including the adequacy of resources, staff qualifications, experience, training programmes and budget of the Company's accounting and financial reporting function;

5.11 to consider major investigation finding on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

5.12 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 Company, and to review and monitor its effectiveness;

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

5.14 to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;

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

5.16 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. The Audit Committee should ensure that proper arrangement in place for the fair and independent investigation of such matters and for appropriate follow-up action;

Others

5.17 to report to the Board on the matters set out above; and

5.18 to consider other matters, as defined or assigned by the Board from time to time.

6. Reporting Procedures

6.1 The Audit Committee shall report to the Board when appropriate.

6.2 The secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Audit Committee for their comments and records within a reasonable time after the meeting.