

**LINMARK GROUP LIMITED**  
*(Incorporated in Bermuda with limited liability)*

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The following terms of reference of the audit committee (“Committee”) were adopted by the board of directors (“Board”) of Linmark Group Limited (“Company”) (the Company and its subsidiaries are hereinafter collectively referred to as the “Group”) on 22 April 2002, as amended by the Board with effect from 16 March 2005, 29 May 2009 and 1 April 2012.

**Constitution**

1. The Committee was established by a resolution passed at the Board meeting on 22 April 2002.

**Membership**

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of a minimum of three members, a majority of whom should be independent non-executive directors. At least one of the members shall be 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 (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).
3. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of one 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.

4. The chairman of the Committee shall be appointed by the Board or elected among the Committee members and shall be an independent non-executive director of the Company.

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**Attendance at meetings**

5. A quorum for a meeting shall be two members.
6. The representatives of the external auditors, chief financial officer or a member of the senior management in charge of this function, the head of internal audit (or any officer(s) assuming this function) and executive Board members shall normally attend meetings of the Committee by invitation. However, at least once a year the Committee shall meet with the external auditors without the presence of members of the executive Board members and management.
7. The company secretary shall be the secretary of the Committee. In the absence of the secretary of the Committee, the members present at the meeting of the Committee shall elect another person as the secretary.

**Frequency of meetings**

8. Meetings shall be held not less than two times a year. The external auditors may request a meeting if they consider that one is necessary.
9. A meeting of the Committee may be convened by any of its members, or by the secretary of the Committee at the request of any of its members or at the request of the external auditors.

**Notice of meetings**

10. Unless otherwise agreed by all the members of the Committee, notice of at least three days shall be given of a meeting of the Committee, and such notice shall be sent to each member of the Committee, and to any other person invited to attend. Irrespective of the length of notice being given, attendance of a Committee member at a meeting constitutes a waiver of such notice unless the Committee member attending the meeting attends for the expressed purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the meeting has not been properly convened.

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**Authority**

11. The Committee is authorized by the Board to investigate any activity within its terms of reference. 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.
12. 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 and expertise, at the Company's expense, if it considers this necessary.

**Duties**

13. The duties of the Committee shall be:

***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 external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, "external auditors" include 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;
- (d) to act as the key representative body for overseeing the Company's relations with the external auditors;

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

(e) 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;

(f) Regarding (e) above:

- (i) members of the Committee should liaise with the Board and senior management 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;

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

(g) to review the Group's financial controls, internal control and risk management systems;

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- (h) 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;
- (i) 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;
- (j) where an internal audit function exists, to ensure coordination 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;
- (k) to review the Group's financial and accounting policies and practices;
- (l) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (n) to report to the Board on the matters in the provisions of the Corporate Governance Code and Corporate Governance Report as included in the Listing Rules;
- (o) 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
- (p) to consider other topics, as defined by the Board.

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**Minutes of meetings**

14. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Committee shall not be counted towards the quorum and he must abstain from voting on any resolution of the Committee in which he or any of his associates has a material interest, unless the exceptions set out in note 1 of 4(1) of Appendix 3 to the Listing Rules apply.
15. Minutes of meetings shall record in sufficient detail the matters considered by the Committee and decision reached, including any concerns raised by members of the Committee or dissenting view expressed.
16. Draft and final versions of minutes of the meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.
17. The secretary shall keep the minutes of meetings and reports of the Committee for the Company.

**Reporting procedures**

18. The 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. The secretary shall make available the minutes of meetings and reports of the Committee to all members of the Board for inspection upon request.

**Annual general meeting**

19. The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Committee's activities and their responsibilities.
20. The Company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

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**Other regulations governing the meetings and proceedings of the Committee**

21. Unless otherwise specified above, the provisions contained in the Company's memorandum and bye-laws for regulations and proceedings of directors shall apply to the meetings and proceedings of the Committee (including, among other things, the provision relating to passing of a resolution in writing).

**Review**

22. The Board shall periodically review the adequacy of these terms of reference and make appropriate amendments, as and when required, to ensure that they remain relevant to the Group's objectives.

**Publication of the terms of reference**

23. The terms of reference of the Committee will be posted on the websites of the Stock Exchange and the Company.

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Relevant requirements:

Rules 3.21 – 3.23 of the Listing Rules

Code Provisions C.3.1 – C.3.7 and E.1.2 of Appendix 14 to the Listing Rules