



# China Fire Safety Enterprise Group Limited

中國消防企業集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 445)**

## **Terms of Reference for the Audit Committee**

The terms of reference for the Audit Committee (the “**Committee**”) of the board of directors (the “**Board**”) of China Fire Safety Enterprise Group Limited (the “**Company**”) are as follows:

### **1 Composition**

- 1.1 The Committee must comprise non-executive directors only and the majority must be independent non-executive directors. It shall comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 1.2 The Committee must be chaired by an independent non-executive director.
- 1.3 The company secretary of the Company or a person designated by the Committee from time to time shall act as the secretary of the Committee.

### **2 Meetings and Quorum**

- 2.1 The Committee shall meet at least twice a year. The external auditor may request a meeting if they consider that one is necessary.
- 2.2 The quorum of a Committee meeting shall be two members.
- 2.3 At least once a year the Committee shall meet the external auditor in the absence of the executive directors of the Company.
- 2.4 Any member of the Committee may attend any meeting of the Committee by means of telephone conference, electronic or other communication equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantly and, for the purpose of counting a quorum, such attendance shall constitute presence at a meeting as if those attending were present in person.

- 2.5 The proceedings of the meetings of the Committee are governed by the provisions contained in the Articles of Association of the Company for regulating the proceedings of the Board.

### **3 Authority**

- 3.1 The Committee is authorized by the Board to conduct investigations within its terms of reference. It is authorized to obtain any information necessary from any employee of the Company and its subsidiaries (collectively referred to as the “**Group**”).
- 3.2 The Committee should have access to independent professional advice if necessary and be provided with sufficient resources to perform its duties.

### **4 Duties**

#### *Relationship with the Company’s auditor*

- 4.1 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.
- 4.2 To review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.
- 4.3 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 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.

#### *Review of the Company’s financial information*

- 4.4 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 judgements 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.

4.5 Regarding 4.4 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 Company's financial reporting system and internal control procedures*

- (iii) To review the Company's financial controls, internal control and risk management systems;
- (iv) 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;
- (v) To consider major investigation findings on internal control matters ad delegated by the Board or on its own initiative and management's response to these findings;
- (vi) 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 issuer, and to review and monitor its effectiveness;
- (vii) To review the Group's financial and accounting policies and practices;

- (viii) 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;
  - (ix) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (x) To report to the Board on the matters in the Corporate Governance Code (Appendix 14 of the Listing Rules); and
  - (xi) To consider other topics, as defined by the Board
- 4.6 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.
- 4.7 To act as the key representative body for overseeing the Company's relations with the external auditor.
- 4.8 To address and deal with other matters that may be delegated by the Board to the Committee.

## **5 Reporting**

- 5.1 The Committee shall report to the Board on a regular basis. At the next meeting of the Board following the meeting of the Committee, the chairman of the Committee shall report to the Board its findings and recommendations.