

**SYNERGY GROUP HOLDINGS INTERNATIONAL LIMITED**  
**(“Company”)**

Terms of reference of the audit committee (“**Committee**”)  
of the board of directors (“**Board**”) of the Company

**1. ESTABLISHMENT**

The Committee is established pursuant to a resolution passed by the Board at its meeting held on 5 March 2015.

**2. MEMBERSHIP**

2.1 Members of the Committee (“**Member(s)**”) shall be appointed by the Board only from amongst the non-executive directors of the Company.

2.2 The Committee shall consist of not less than three (3) Members, the majority of whom shall be independent non-executive Directors. At least one (1) Member must have appropriate professional qualifications or accounting or related financial management expertise as required in the Rules Governing the Listing of Securities (“**GEM Listing Rules**”) on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), in particular but not limited to Rule 5.05(2) of the GEM Listing Rules or any succeeding provisions thereof. If a Member shall cease to be a director of the Company (“**Director(s)**”), that Member shall also simultaneously cease to be a Member and the Board shall appoint a new Member to complement the number of Members in the Committee.

2.3 The chairman of the Committee (“**Chairman**”) shall be appointed by the Board and shall be an independent non-executive Director.

2.4 The company secretary of the Company shall be the secretary of the Committee (“**Secretary**”) who should attend all meetings of the Committee (“**Meeting(s)**”).

2.5 The appointment of Members may be revoked, or additional Members may be appointed to the Committee by separate resolutions passed by the Board.

2.6 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of one (1) 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.

### **3. PROCEEDINGS OF THE COMMITTEE**

#### **3.1 Notice:**

- (a) Unless otherwise agreed by all Members (either orally or in writing), a Meeting shall be called by giving at least seven (7) days' notice.
- (b) Notice shall be given to each Member in person orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email address from time to time notified to the Secretary by such Member or in such other manner as the Members may from time to time determine.
- (c) In respect of regular Meetings to be held as mentioned in paragraph 3.4 below, and as far as practicable for all other Meetings, an agenda and accompanying papers shall be sent, in full, to all Members in a timely manner and at least three (3) days before the intended date of the Meeting (or such other period as all Members may agree).

**3.2 Quorum:** The quorum of the Meeting shall be two (2) Members, both of whom shall be independent non-executive Directors.

#### **3.3 Attendance:**

3.3.1 The chief financial officer (or any other officer(s) assuming the relevant functions but having a different designation) of the Company shall normally attend the Meetings. Other Board members shall also have the right of attendance. The Committee shall meet, at least twice a year, with the external auditors but without the presence of executive Board members.

3.3.2 Members may participate in a Meeting by means of a conference telephone or other communications equipment through which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

#### **3.4 Frequency:**

Meetings shall be held at least twice a year or more frequently if circumstances require and with unanimous written consent to consider the budget, revised budget and, if published for publication, quarterly report prepared by the Board. The external auditors may request the Chairman to convene a Meeting, if they consider that one is necessary.

### **4. WRITTEN RESOLUTIONS**

Written resolutions may be passed by all Members in writing. Such resolutions may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the GEM Listing Rules for a Board or Committee meeting to be held.

## 5. ALTERNATE MEMBERS

A Member may not appoint any alternate.

## 6. AUTHORITY OF THE COMMITTEE

6.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (together, the “**Group**”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Meetings and to supply information and address the questions raised by the Committee;
- (b) to monitor whether the Group’s management has, in the performance of its duties, infringed any policies set by the Board or any applicable laws, regulations and codes (including the GEM Listing Rules and other rules and regulations from time to time determined by the Board or a committee thereof);
- (c) to investigate any activity within these terms of reference and all suspected fraudulent acts involving the Group and request the management to conduct investigations and submit reports;
- (d) to review the Group’s internal control procedures and system;
- (e) to make recommendations to the Board for the improvement of the Group’s internal control procedures and system;
- (f) to request the Board to take all necessary actions to replace and dismiss the auditors of the Group;
- (g) to obtain outside legal or other independent professional advice, at the cost of the Company, on any matters within these terms of reference as it considers necessary;
- (h) where there is any disagreement between the Committee and the Board on the selection, appointment, resignation or dismissal of the external auditors which cannot be resolved, to report its own recommendations on such matters to the shareholders in corporate communications including but not limited to inclusion in the corporate governance report in the annual report of the Company an explanation of the Committee’s recommendations and the reasons why the Board has taken a different view;
- (i) to review annually these terms of reference and their effectiveness in the discharge of its duties and to make recommendations to the Board on any changes it considers necessary; and
- (j) to exercise such powers as the Committee may consider necessary and expedient so that their duties under section 7 below can be properly discharged.

6.2 The Committee should be provided with sufficient resources to perform its duties.

## 7. DUTIES

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 auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of the resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and reporting obligations in accordance with applicable standards;
- (c) to discuss with the auditor the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged before the audit commences;
- (d) 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (e) to act as the key representative body for overseeing the Company's relations with the external auditor;

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

- (f) to monitor the integrity of the Company's financial statements and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- (g) to review the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly report before submission to the Board, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting standards;

- (vi) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;
- (vii) the fairness and reasonableness of any connected transactions and the impact of such transactions on the profitability of the Group and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;
- (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions; and
- (ix) any significant or unusual items that are, or may need to be, reflected in such reports and accounts,

and to provide advice and comments thereon to the Board;

- (h) to review arrangements where 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 action;
- (i) regarding (f) and (g) above:
  - (i) Members must liaise with the Board and senior management of the Group and the Committee must meet, at least twice a year and as circumstances require, 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***

- (j) to review the Company's financial controls, internal control and risk management systems;
- (k) to discuss the internal control system with the management of the Group to ensure that the 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;
- (l) 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;

- (m) 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;
- (n) to review the Group's financial and accounting policies and practices;
- (o) to review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and management's response;
- (p) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (q) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;
- (r) to report to the Board on the matters set out above;
- (s) to consider other matters, as defined or assigned by the Board from time to time; and
- (t) to fulfill any other responsibilities as required by the GEM Listing Rules from time to time.

***Others***

- (u) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board;
- (v) to conform to any requirements, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation;
- (w) 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 Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and
- (x) to act as the key representative body for overseeing the Company's relation with the external auditor.

**8. REPORTING PROCEDURES**

- 8.1 The Committee shall report to the Board. At the next meeting of the Board following a Meeting, the Chairman shall report the findings and recommendations of the Committee to the Board, unless there are legal or regulatory restrictions on its ability to do so (such as restriction on disclosure due to regulatory requirements).

- 8.2 Copies of the minutes of the Meeting shall be provided to the Board at its meetings.
- 8.3 Full minutes of the Meetings and all written resolutions of the Committee should be kept by the Secretary.
- 8.4 The Secretary shall circulate the draft and final versions of minutes of the Meeting or, as the case may be, written resolutions of the Committee to all Members for their comment and records within a reasonable time after the Meeting or the passing of the written resolutions.
- 8.5 The Secretary shall keep records of all Meetings held during each financial year of the Company and individual attendance of Members, on a named basis, at Meetings held during that financial year.
- 8.6 All Directors and Members shall be entitled to have access to Committee papers and related materials. These Committee papers and related materials should be in a form and quality sufficient to enable the Committee to make informed decisions on matters placed before it. Queries raised by Members should receive a prompt and full response, if possible.

## **9. SHAREHOLDERS' MEETING**

The Chairman should, as far as practicable, attend the annual general meeting and make himself available to respond to any shareholder's questions on the Committee's activities. In the absence of the Chairman, another Member or failing that a duly appointed delegate of such Chairman or Member should attend the annual general meeting. Unless authorised by the Board, Member(s) attending the Meeting shall have the duty to keep all matters discussed at the Meeting confidential and shall not disclose relevant information to any third party except as required by law or the GEM Listing Rules.

## **10. CONTINUING APPLICATION OF THE ARTICLES OF ASSOCIATION OF THE COMPANY**

The articles of association of the Company ("**Articles**"), regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference, shall apply to the Meetings and proceedings of the Committee.

## **11. POWERS OF THE BOARD**

11.1 The Board may, subject to compliance with the Articles and the GEM Listing Rules (including the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules or if adopted by the Company, the Company's own corporate governance code), amend, supplement and revoke these terms of reference and any resolutions passed by the Committee, provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolutions of the Committee which would have been valid if such terms of reference or resolutions had not been amended or revoked.

11.2 The power to interpret these terms of reference shall rest in the Board. These terms of reference shall be made available to the public by including the information on the Company's website and the Stock Exchange's website.

## **12. AUTHORITY OF THE COMMITTEE**

12.1 The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with any request made by the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

12.2 The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulation which come to its attention and are of sufficient importance to warrant the attention of the Board. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

12.3 The Committee is to be provided with sufficient resources to discharge its duties.

## **13. RESPONSIBILITY**

13.1 The objective of the Committee is to be responsible for the relationship with the Company's auditors, review of the Company's financial information and monitoring of the Company's financial reporting system and internal control procedures. The Committee is accountable to the Board.

13.2 The Committee is to serve as a focal point for communication between other Directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.

13.3 The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits.

## **14. REVISION OF THE TERMS OF REFERENCE**

14.1 These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in the GEM Listing Rules and other regulatory requirements in Hong Kong.

March 2015