



## **Shanghai Qingpu Fire-Fighting Equipment Co., Ltd**

上海青浦消防器材股份有限公司

*(Incorporated in the People's Republic of China with  
limited liability)*

**(Stock code: 8115)**

### **Audit Committee**

#### **Terms of Reference**

##### **1 Constitution**

The board of directors of the Company (the "Board") resolved on 10 June 2004 to establish a committee of the Board to be known as the Audit Committee (the "Committee").

##### **2 Membership**

- a) The Committee should be appointed from amongst the non-executive directors of the Board only and consist of not less than three members, a majority of whom, including the Chairman, should be independent.
- b) The Chairman of the Committee shall be appointed by the Board. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

##### **3 Attendance at meetings**

- a) Representatives of the external auditors shall normally attend meetings.
- b) The secretary of the Company shall be the secretary of the Committee.

##### **4 Quorum**

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

##### **5 Notice of meetings**

- a) Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.
- b) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend, no later than two working days before the date of the meeting. Supporting papers (if any) shall be sent to Committee members and to other attendees as appropriate, at the same time.

##### **6 Frequency of meetings**

Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

## 7 Authority

- a) 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 made by the Committee.
- b) 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 if it considers this necessary.

## 8 Duties

- 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 its resignation or dismissal;
- b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- c) 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;
- d) 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 or 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and legal requirements in relation to financial reporting;
- e) Regarding (d) 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 reports 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;

- f) To review the Company's financial controls, internal control and risk management systems;
- g) To discuss the internal control system with management 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;
- h) 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;
- i) 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;
- j) To review the Group's financial and accounting policies and practices;
- k) 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;
- l) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- m) To report to the Board on the matters in the code provisions as stated in Appendix 14 of the Listing Rules;
- n) 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;
- o) To act as the key representative body for overseeing the Company's relations with the external auditor; and
- p) To consider other topics, as defined by the Board.

9 **Reporting procedures**

- a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- b) The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed; and
- c) The secretary shall circulate the minutes of meetings and reports of the Committee, if any, to all members of the Board.