



比亞迪電子(國際)有限公司
BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock code: 285)

(「The Company」)

Terms of Reference of the Audit Committee

(Revised on 27 March 2019)

Constitution

1. The Board has resolved the establishment of the Audit Committee (the “Committee”).

Membership

2. The Committee member shall be appointed by the board of directors of the Company (the “Board”) from amongst the Non-executive Directors of the Company and shall consist of not less than three members, a majority of whom should be Independent Non-executive Directors (the “INEDs”) (the “Member”).
3. The chairman of the Committee shall be an INED.
4. At least one INED must have appropriate professional qualifications or accounting or related financial management expertise.
5. A former partner of the Company’s existing auditing firm (the “Firm”) shall be prohibited from acting as a member of the Committee for a period of two years from the date of his ceasing:
 - (i) to be a partner of the Firm; or
 - (ii) to have any financial interest in the Firm, whichever is later.
6. The Board shall from time to time vary the composition of the Committee as may be required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as modified from time to time (the “Listing Rules”), or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time.

Secretary

7. The Company Secretary should be the secretary of the Committee.

Authority

8. 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.
9. The Committee is authorized to obtain external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if necessary.
10. The Committee shall be provided with sufficient resources to perform its duties.

Duties

11. 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 its resignation or dismissal;
- (b) to review annually and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit 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. Where the external auditor provides non-audit services, the Committee should conduct annual reviews to consider the nature of the non-audit service, whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit, and the aggregate fees paid to the external auditors and a breakdown of the fees paid for audit and non-audit services for the financial year ; and
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor.

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;
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and
 - (vii) the dividend policy;
- (f) Regarding (e) above:–
- (i) Members 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, risk management and internal control systems

- (g) to review the Company’s financial controls, internal control and risk management systems;
- (h) to discuss the risk management and the internal control systems with management to ensure that management has performed its duty to have effective systems. 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 risk management and 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 co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced (i.e. the function is staffed by people with appropriate qualification, experience, integrity and independence of mind) and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (k) to review the Company’s financial and accounting policies and practices;

- (l) 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;
- (m) to ensure that the Board will provide a timely response to the matters raised in the external auditor's management letter;
- (n) to monitor managements' progress on implementing any new key financial reporting standards, and to stay updated with tax legislature and regulatory developments in relation to financial reporting;
- (o) to review arrangements which 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;
- (p) to report to the Board on the relevant matters set out in the Corporate Governance Code in Appendix 14 to the Listing Rules; and
- (q) to consider other topics, as defined by the Board.

Committee Meetings

Attendance at meetings

12. The Chief Financial Officer and a representative of the external auditors shall normally attend meetings. The Head of Internal Audit shall also attend the meeting if he has any significant findings to report to the Committee.

Frequency

13. The Committee shall meet at least twice a year. Additional meetings should be held if the Committee or the external auditors shall so request. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.

Resolutions

14. Resolutions of the Committee shall be passed by a majority of votes which can also be passed by way of unanimous written resolutions. Meetings can be held in person, or through other electronic means of communication, e.g. by telephone or by video conference, etc. A resolution in writing signed by all Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

Minutes

15. The secretary of the Committee should keep full minutes of all Committee meetings. Draft and final versions of minutes of meetings of the Committee should be sent to all Members for their comment and records within a reasonable time after the meeting.

Publication of the Terms of Reference

16. The terms of reference will be posted on the websites of the Stock Exchange of Hong Kong Limited and the Company, explaining the role of the Committee and the authority delegated to it by the Board.

Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.