



SUN HING VISION GROUP HOLDINGS LIMITED

新興光學集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 125)

Terms of Reference of the Audit Committee

1. Membership

1.1 The Audit Committee of Sun Hing Vision Group Holdings Limited (the “Company”) will comprise non-executive directors only with at least three members, each of whom shall be appointed by the board of directors of the Company (the “Board”).

1.2 A majority of the members will be independent non-executive directors who are independent of management of the Company and free from any business or other relationship which could interfere with the exercise of their independent judgment.

1.3 The chairman of the Audit Committee should be an independent non-executive director and appointed by the Board.

1.4 The secretary of the Company or his/her nominee may act as the secretary to the Audit Committee.

2. Meetings

2.1 The Audit Committee should meet not less than twice a year and at such other times as its chairman or the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules”) may require.

2.2 The financial controller/chief financial officer of the Company and a representative of the external auditors should normally attend meetings. Other Board members should also have the right of attendance.

2.3 The external auditors may request a meeting if they consider it necessary.

2.4 Meetings of the Audit Committee may be summoned by the secretary to the Audit Committee at the request of any committee member.

2.5 Unless otherwise agreed, notice of each committee meeting stating the date, time and venue together with an agenda containing items to be discussed, should be sent to each committee member, together with any other person(s) required to attend and all other independent non-executive directors, no fewer than 5 working days prior to the date of the meeting.

2.6 The secretary of the Audit Committee should record the names of those present and in attendance and keep minutes of the proceedings of all meetings, including all resolutions passed.

2.7 Minutes of meeting should be circulated to all committee members and to all members of the Board.

2.8 Proceedings of the committee meeting shall be governed by the applicable provisions as required by the Company's bye-laws and the Listing Rules.

3. Relationship with shareholders

The chairman of the Audit Committee should attend the annual general meetings of the Company and be prepared to respond to any questions from shareholders on the Audit Committee's activities.

4. Duties

Relationship with the Company's auditors

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 Audit 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 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

4.4 To act as the key representative body for overseeing the Company's relations with the external auditor.

Review of the Company's financial information

4.5 To monitor integrity of the Company's financial statements and the 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 Audit 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 applicable Listing Rules and legal requirements in relation to financial reporting;

4.6 In regard to (4.5) above:

(i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Audit 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.

Oversight of the Company's financial reporting system and risk management and internal control systems

4.7 To review the Company's financial controls, and unless expressly addressed by a separate board committee, or by the Board itself, to review the Company's risk management and internal control systems.

4.8 To discuss the risk management and 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.

4.9 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.

4.10 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.

4.11 To review the financial and accounting policies and practices of the Company and its subsidiaries (the "Group").

4.12 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.

4.13 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

4.14 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 Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

4.15 To report to the Board on the matters as required by the relevant code provision as stated in Appendix 14 of the Listing Rules.

4.16 To report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as restriction on disclosure due to regulatory requirements).

4.17 To consider other topics, as defined by the Board.

5. Authority

The Audit Committee is authorised by the Board to:

(i) investigate any activity within its terms of reference;

(ii) seek any information it requires from any employee and accordingly all employees of the Group shall cooperate with any request made by it; and

(iii) obtain external legal and other independent professional advice, including advice of independent professional consultants at the Company's expenses and invite the attendance of external third parties with relevant experience and expertise in its meeting if it considers necessary.

** For identification purpose only*