



ZHONGDA INTERNATIONAL HOLDINGS LIMITED

(中大國際控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 00909)

Terms of reference of Audit Committee (“Committee”)

Membership

1. The Committee shall consist of at least three directors, all of whom shall be non-executive directors with majority of independent non-executive directors appointed by the board of directors (the “**Board**”) of Zhongda International Holdings Limited (the “**Company**”) from time to time. At least one member of the Committee must have appropriate professional qualifications or accounting or related financial management expertise pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
2. The chairman of the Committee shall be appointed by the Board and should be an independent non-executive director of the Company.

Frequency and proceedings of meeting

3. The Committee shall liaise with the Board and senior management of the Company. The Committee shall meet, at least twice a year, with the Company’s external auditor. The quorum of the Committee meeting shall be two members.
4. The company secretary of the Company shall be the Secretary of the Committee.
5. Proceedings of meetings of the Committee shall be governed by the bye-laws of the Company.

Authority

6. The Committee is authorised by the Board to investigate any activity within the terms of reference, and to seek any required information from any employee and all employees are directed to co-operate with any request made by the Committee.
7. The Committee is to be provided with sufficient resources to discharge its duties within the terms of reference.

* *For identification purpose only*

Functions

8. The Committee is to:

- (a) recommend the Board on the appointment, reappointment and removal of the external auditor and the approval of the remuneration and terms of engagement of the external auditor, and to consider any questions of its resignation or dismissal;
- (b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Board and/or the management of the Company shall agree with the external auditor, and the Committee shall review the nature and scope of the audit and reporting obligations before the audit commences;
- (c) develop and implement a policy on engaging an external auditor to supply non-audit services. The Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) monitor the integrity of the Company's financial statements and annual report and accounts, half-year reports 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 shall 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;
- (e) review the Company's financial controls, internal control and risk management systems;
- (f) discuss the internal control system with the management of the Company to ensure that the management has performed its duty to have an effective internal control system;
- (g) 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;
- (h) where an internal audit function exists, to ensure that the Board co-ordinates with and between the internal and external auditors, and arranges for the internal audit function to be adequately resourced and has appropriate standing within the group, and to review and monitor its effectiveness;
- (i) review the group's financial and accounting policies and practices;

- (j) 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;
- (k) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and
- (l) consider other topics, as defined by the Board.

Reporting procedures

9. The Secretary of the Committee shall circulate the minutes of the Committee meetings, reports of the Committee and relevant information to all members of the Board.