

TACK FIORI INTERNATIONAL GROUP LIMITED
(the “Company” which together with its subsidiaries, the “Group”)
Terms of reference (the “Regulations”) relating to
the audit committee (“Audit Committee”)
of the board of directors (“Board”) of the Company

A. Constitution

The Audit Committee is established pursuant to a resolution passed by the Board at a meeting held on 15 August 2011.

B. Audit Committee

1. Membership

- 1.1 Members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom shall be independent non-executive directors and at least one of whom have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- 1.2 The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.
- 1.3 The company secretary of the Company or his/her delegate shall be the secretary of the Audit Committee.
- 1.4 The appointment of the members and the secretary of the Audit Committee may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board and the Audit Committee.
- 1.5 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 1 year from the date of his ceasing (whichever is later):
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm.

2. Proceedings of the Audit Committee

2.1 Notice

- 2.1.1 Unless otherwise agreed by all the Audit Committee members, a meeting of the committee shall be called by at least seven days’ notice.
- 2.1.2 A member of the Audit Committee may, and on the request of a member of the Audit Committee, the secretary to the Audit Committee shall, at any time summon a meeting of the Audit Committee. Notice shall be given to each member of the Audit Committee orally in person or in writing or by telephone or by facsimile or electronic transmission at the telephone number or facsimile number or address or e-mail address from time to time notified to the secretary by such member of the Audit Committee or by such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.

- 2.1.3 Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting.

2.2 Quorum

The quorum of the Audit Committee meeting shall be two members of the Audit Committee.

2.3 Attendance of meetings by non-members

The Finance Director, the Head of Internal Audit (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings of the Audit Committee. The executive directors shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the external auditors in the absence of the executive directors.

2.4 Frequency of meetings

Meetings shall be held not less than twice a year. The external auditors may request the Chairman of the Audit Committee to convene a meeting, if they consider that one is necessary.

3. Written resolutions

Written resolutions may be passed by all members of the Audit Committee in writing.

4. Alternate members

A member of the Audit Committee may not appoint any alternate.

5. Authority

The Audit Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Group and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Audit Committee and to supply information and answer questions raised by the Audit 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 law, regulation and code (including the Rules Governing the Listing of Securities on The Stock Exchange of

Hong Kong Limited (the “Listing Rules”) and other rules and regulations from time to time laid down by the Board or a committee thereof);

- (c) to investigate all suspected fraudulent acts involving the Group and request management to make investigation and submit reports;
- (d) to review the Group’s internal control procedures and system;
- (e) to review the performance of the Group’s employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group’s internal control procedures and system;
- (g) to request the Board to convene a shareholders’ meeting for the purposes of revoking the appointment of any director and to dismiss any employee if there is evidence showing that the relevant director and/or employee has failed to discharge his/her duties properly;
- (h) to request the Board to take all necessary actions, including convening a special general meeting to replace and dismiss the auditors of the Group; and
- (i) to obtain outside legal or other independent professional advice and to secure the attendance of independent third parties with relevant experience and expertise, if it considers this necessary.

6. Duties

The duties of the Audit Committee shall be:

Relationship with the Auditors

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Auditor, and to approve the remuneration and terms of engagement of the Auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company’s financial information

- (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 judgements 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 Listing Rules and legal requirements in relation to financial reporting;
- (e) regarding (d) 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 Auditors; and
 - (ii) the Audit 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

- (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 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 investigations finding 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 Auditor's management letter;
- (m) to report to the Board on the matters in this paragraph 6; and
- (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 Audit 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 Auditor; and
- (p) to consider other topics, as defined by the Board.

7. Veto rights of the Audit Committee

The Audit Committee has the following veto rights. The Group cannot implement any of the following matters which have been vetoed by the Audit Committee:

- (a) to approve any connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive directors and the independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or the internal audit manager.

8. Reporting procedures

The secretary to the Audit Committee shall circulate the minutes of meetings and all written resolutions of the Audit Committee to all members of the Board.

9. Continuing application of the articles of association of the Company

The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and not inconsistent with the provisions of these Regulations shall apply to regulate the meetings and proceedings of the Audit Committee.

10. Powers of the Board

The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Code on Corporate Governance Practices), amend, supplement and revoke these Regulations and/or any resolution passed by the Audit Committee provided that no amendments to or revocation of these Regulations and/or any resolution passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if these Regulations or resolution had not been amended or revoked.