

Springland International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1700)

Audit Committee

Terms of Reference

1 Objective

The Audit Committee of Springland International Holdings Limited (the “Company”) is to assist the board of directors of the Company (the “Board”) in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Committee should serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls, and the audits.

2 Membership

- 2.1 The Committee shall be appointed by the Board and shall consist of not less than three Non-executive Directors.
- 2.2 The majority of the members of the Committee (the “Members”) shall be Independent Non-executive Directors, at least one of whom has to be an Independent Non-executive Director with 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 of The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- 2.3 The Members shall appoint the chairman of the Committee (the “Chairman”) who must be an independent non-executive Director.
- 2.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of 1 year from the latest date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm.
- 2.5 The Company Secretary of the Company shall be the secretary of the Committee.

3 Authority

The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by Members. The Committee is authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the Committee and shall be provided with sufficient resources to perform its duties.

4 Duties

The Committee's terms of reference should include:

Relationship with the Company's external auditor

- 4.1 to be primarily responsible for making recommendation 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. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a detailed explanation of the Committee's recommendation and the reasons for the Board to have taken such a different view;
- 4.2 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 shall 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 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 and 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 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 Committee shall focus particularly on:
- 4.5.1 any changes in accounting policies and practices;
 - 4.5.2 major judgmental areas;
 - 4.5.3 significant adjustments resulting from audit;
 - 4.5.4 the going concern assumption and any qualifications;
 - 4.5.5 compliance with accounting standards;
 - 4.5.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 4.6 regarding (4.4) above:-
- (a) Members should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (b) 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, internal control and risk management procedures

- 4.7 to review the Company's financial controls, internal control and risk management systems;
- 4.8 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;
- 4.9 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;
- 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;
- 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 Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

Corporate governance delegated by the Board

- 4.15 to report to the Board on the matters in the provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (as amended from time to time);

Other duties

- 4.16 to consider other topics, as defined by the Board from time to time; and
- 4.17 to act as the key representative body for overseeing the Company's relation with the external auditor.

5 Meetings and proceedings

Frequency

- 5.1 The Committee shall meet at least twice a year. The external auditors may request a meeting if they consider that one is necessary

Quorum

- 5.2 The quorum of the Committee shall be any two Members both of whom must be independent non-executive Directors.

Attendance

- 5.3 As necessary or desirable, the Chairman may request that members of management and representatives of the external auditors be present at meeting of the Committee. Other Board members shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.
- 5.4 Meetings can be held by way of telephone conference.

Minutes

- 5.5 Full minutes of the Committee meetings shall be kept by the secretary of the Committee. Draft and final versions of minutes of the meetings shall be sent to all Members for their comment and records respectively in both cases within a reasonable time after the meeting.
- 5.6 The secretary of the Committee shall circulate the minutes of meeting of the Committee to all members of the Board.

6 Availability and update of the terms of reference

- 6.1 These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong.
- 6.2 These terms of reference or its updated and revised versions should be published on the website of the Company and the website of The Stock Exchange of Hong Kong Limited.
- 6.3 These terms of reference shall be available upon request by shareholders of the Company.