



中國包裝集團有限公司  
China Packaging Group Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

## **TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

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**Terms of Reference for Audit Committee**

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*Constitution*

1. The board of directors (the “**Board**”) of China Packaging Group Company Limited (the “**Company**”) resolved to establish an audit committee of the Board (the “**Audit Committee**”) on 1 November 2011. The constitution of the Audit Committee shall comply with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) from time to time.

*Membership*

2. The 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 should be independent. A quorum shall be two members.
3. At least one of the members must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.
4. 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 commencing on the date of his ceasing (whichever is the later) :
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm.
5. The chairman of the Audit Committee shall be appointed by the Board and should be an independent non-executive director.

*Attendance at meetings*

6. Attendees shall normally include Audit Committee’s members, the Finance Director, the Head of Internal Audit (where an internal audit function exists), a representative of the external auditors and those with meaningful input to the Audit Committee’s activities. However, at least once a year the Audit Committee shall meet with the external and internal auditors (if any) without executive Board members present.

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7. Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication.
8. The company secretary shall be the secretary of the Audit Committee. The secretary of the Audit Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Audit Committee.
9. Resolutions of the Audit Committee at any meeting shall be passed by a majority of votes of members if more than two members are present and by a unanimous vote if only two members are present.

***Frequency of meetings***

10. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

***Authority***

11. The Audit Committee is authorized by the Board to investigate 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 Audit Committee.
12. The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it consider this necessary.

***Duties***

13. The duties of the Audit Committee shall be :

***Relationship with the Company's auditors***

- (a) 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 resignation or dismissal of that auditor;

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- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

*Review of financial information of the Company*

- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report 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 qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

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- (e) In regard to (d) above :-
  - (i) members of the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least once 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 such reports and accounts and must 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 procedure*

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experiences of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (i) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (j) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (k) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the board;

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- (l) where an internal audit function exists to review the internal audit programme, 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 the effectiveness of the internal audit function;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters set out in provision of terms of reference of the Audit Committee;
- (o) to review the group's financial and accounting policies and practices; and
- (p) to consider other topics, as defined by the Board.

***Reporting responsibility and procedures***

- 14. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- 15. Full minutes of Audit Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of the minutes of the Audit Committee meetings shall be sent to all Audit Committee members for their comments and records respectively, in both cases within a reasonable time after the meeting.
- 16. The secretary or his representative shall circulate the minutes of meetings and reports of the Audit Committee to all members of the Board.

***Publication of the terms of reference of the Audit Committee***

- 17. The terms of reference of the Audit Committee will be posted on the website of the Company, and will be made available upon request.

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*Others*

18. The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to questions at the annual general meeting on the Audit Committee's activities and their responsibilities.
19. The Audit Committee should be provided with sufficient resources to discharge its duties.