



DYNAMIC HOLDINGS LIMITED

達力集團有限公司

Terms of Reference for Audit Committee

Constitution

1. The Board hereby resolves to establish a Committee of the Board to be known as the Audit Committee.

Membership

2. The 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, at least one of whom is an Independent Non-Executive Director with appropriate professional qualifications or accounting or related financial management expertise. And a majority of whom should be Independent Non-Executive Directors. A quorum shall be two members.
3. The Chairman of the Committee shall be appointed by the Board and should be an Independent Non-Executive Director.
4. A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of 1 year commencing on the date of his ceasing:
 - (i) to be a partner of the firm; or
 - (ii) to have any financial interest in the firm,

whichever is the later.



Attendance at meetings

5. The members of the Committee, Finance Director (if any) and Non-Executive Directors of the Company shall normally attend meetings. Other members of the Board shall also have the right of attendance. The Committee can meet with the internal or external auditors if it considers this necessary.
6. A meeting or an action that may be taken by the Committee may also be taken by consent in writing signed by all members of the Committee except such as are absent from the territory in which the principle office of the Company is for the time being situate or temporarily unable to act through ill-health or disability (or their alternates, if any) shall (so long as such consent shall be signed by at least two members or their alternates, if any, and provided that a copy of such consent has been given or the contents thereof communicated to all the members of the Committee for the time being entitled to receive notices of meetings of the Committee) be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Any such consent in writing may consist of several documents in like form each signed by one or more of the members or their alternates, if any. Such consent in writing may be by means of telex, telegram, cable, facsimile or other written electronic communication.
7. Any members of the Committee may participate in a meeting by means of a telephone or other audio communications equipment.
8. The company secretary of the Company shall be the secretary of the Committee.

Frequency of meetings

9. Meetings shall be held not less than twice a year on a need basis.



Authority

10. The Committee is authorized by the Board to investigate any activities within its terms of reference. It is authorized to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.
11. The 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 considers this necessary.

Duties

12. Relationship with the Company's auditors
 - 12.1 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 resignation or dismissal of that auditor;
 - 12.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and
 - 12.3 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.



13. Review of financial information of the Company
- 13.1 to monitor integrity of financial statements of the Company and the Company's 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 this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and other legal requirements in relation to financial reporting.
- 13.2 In regard to (13.1) above:-
- (i) members of the Committee must liaise with the Company's Board of Directors and senior management and the Committee must meet, at least once a year, with the Company's auditors; and
 - (ii) the 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.



14. Oversight of the Company's financial reporting system and internal control procedures
 - 14.1 to review the Company's financial controls, internal control and risk management systems;
 - 14.2 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 experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
 - 14.3 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;
 - 14.4 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 the effectiveness of the internal audit function;
 - 14.5 to review the financial and accounting policies and practices of the Company and its subsidiaries;
 - 14.6 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;
 - 14.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - 14.8 to report to the Board on the matters set out in these terms of reference; and
 - 14.9 to consider other topics, as defined by the Board from time to time.



Reporting procedures

15. Full minutes of the meetings of the Committee should be kept or action of the Committee taken by consent in writing should be recorded by the secretary of the Committee.
16. Draft and final versions of minutes of the meetings of the Committee should be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. Action of the Committee taken by consent in writing should also be sent to all members of the Committee for their comments and records respectively within a reasonable time.
17. The Committee should report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

Hong Kong, 1 January 2009