



**POLICY ON PROVISION OF AUDIT AND NON-AUDIT SERVICES  
BY THE EXTERNAL AUDITOR (“EXTERNAL AUDITOR”)  
TO SA SA INTERNATIONAL HOLDINGS LIMITED (“COMPANY”)**

**Approved by the board (“Board”) of Directors (“Directors”)  
on 31 December 2008 with effect on 1 January 2009**

**Purpose**

Pursuant to the code on corporate governance practices and rules on corporate governance report in Appendices 14 and 23 of the Rules Governing the Listing of Securities (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) respectively, the audit committee of the Company (“Audit Committee”) is to be primarily responsible for, among others:

1. 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 External Auditor;
2. reviewing and monitoring 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 External Auditor the nature and scope of the audit and reporting obligations before the audit commences; and
3. developing and implementation of policy on the engagement of an External Auditor to supply non-audit services. 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.

External Auditor shall include any entity that is under common control, ownership or management with 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.

**Independence of External Auditor**

The Audit Committee is also expected to act as the key representative body for overseeing the Company’s relation with the External Auditor and may consider the following procedures to review and monitor the independence of External Auditor:

1. consider all relationships between the Company and the audit firm (including the provision of non-audit services);
2. seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with the relevant requirements, including current requirements regarding rotation of audit partners and staff; and
3. meet with the External Auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the External Auditor may wish to raise.

The Audit Committee may consider agreeing with the Board the Company's policies relating to hiring of employees or former employees of the External Auditor and monitor the application of such policies. The Audit Committee should then be in a position to consider whether in light of this, there has been any impairment or appearance of impairment of the External Auditor's judgment or independence in respect of the audit.

The Audit Committee would normally be expected to ensure that the provision by the External Auditor of non-audit services does not impair the External Auditor's independence or objectivity. When assessing the External Auditor's independence or objectivity in relation to the provision of non-audit services, the Audit Committee may consider:

1. whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
2. whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the External Auditor;
3. the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm; and
4. the criteria which govern the compensation of the individuals performing the audit.

A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Company's Audit Committee for a period of 1 year commencing on the date of his ceasing:

1. to be a partner of the firm; or
2. to have any financial interest in the firm,

whichever is the later.

## **Services that can be performed by the External Auditor of the Company**

Subject to the Listing Rules amended from time to time, the Company has set out below the types of audit and non-audit services performed by the External Auditor in which general pre-approvals are granted for the proposed services. As set forth in this policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the External Auditor.

### **1. Audit Services**

The annual audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee pursuant to the Listing Rules and relevant laws and regulations. Audit service includes those rendered in connection with the audit of consolidated financial statements, including but without limitation to the following:

- Interim and annual financial statements of the Company;
- Statutory audits or financial audits for subsidiaries or affiliates of the Company;
- Issuance of the audit reports for interim and annual results of the Company and dealing with all enquiries by the relevant authorities in respect thereof including but without limitation to the Stock Exchange and Securities and Futures Commission (“SFC”);
- Issuance and attestation of management reports on internal controls and financial reporting;
- Consultations by the Company’s management as to the accounting or disclosure treatment of transactions or events, and/or the actual or potential impact of final or proposed rules, standards or interpretations by the Stock Exchange, SFC or other regulatory or standard-setting bodies; and
- Such other audit services specifically approved by the Audit Committee in the External Auditor’s audit engagement letter.

### **2. Audit-related Services**

The audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements or that are traditionally performed by the External Auditor. As the Audit Committee believes that the provision of audit-related services does not impair the independence of the External Auditor and is consistent with the Listing Rules and the relevant laws and regulations on the External Auditor’s independence, the Audit Committee grants general pre-approval to the following audit-related services. All other audit-related services not set out below shall be specifically approved by the Audit Committee:

- Audit of the Company’s employee benefit plans;
- Due diligence and accounting advice related to mergers and acquisitions;
- Audits of affiliates or product line special purpose financial statements;

- Internal control reviews of systems and/or processes (including pre-implementation reviews);
- Issuance of special audit reports for tax or other purposes;
- Consultations concerning financial accounting and reporting standards; and
- Assistance with statutory reporting.

### 3. Tax Services

The Audit Committee believes that the External Auditor can provide tax services such as tax compliance, tax planning and tax advice to the Company without impairing its independence, except for those services which are provided in connection with the audit. General pre-approvals are granted to the following tax services:

- Corporate tax planning;
- Expatriate tax compliance and planning;
- Requests for rulings or technical advice from tax authorities;
- Tax return reviews;
- Reviews as to the tax treatment of certain transactions (entertainment, R&D expenses, transaction costs, accounting methods, tax basis, etc);
- Assistance with tax audits; and
- International tax planning and transfer pricing studies.

### 4. All Other Services

General pre-approvals are also granted to other services (except those mentioned as “Prohibited Services” below) set out below:

- Audits or reviews of third parties to assess compliance with contracts;
- Risk management diagnostics and assessments;
- Compliance reviews in connection with various healthcare and environmental protection laws;
- non-financial systems consultations;
- general business advisory e.g. advice on establishing operations in a new country; and
- internal investigations and fact finding into alleged improprieties.

### **Services that MUST NOT BE PERFORMED by the External Auditor (“Prohibited Services”)**

- Bookkeeping or other services related to the accounting records or financial statements;
- Financial information systems design and implementation;
- Appraisal or valuation services and fairness opinions;
- Actuarial services;
- Internal audit outsourcing services;
- Management functions;

- Human resources services;
- Employment of ex-External Auditor partner (please refer to the section “Independence of External Auditor”);
- Custody of assets, broker-dealer, investment adviser or investment banking;
- Legal services;
- Expert services unrelated to the audit; and
- Services in relation to transaction(s) that is/are originated from/introduced/ initially recommended by the External Auditor.

### **Process for Awarding Non-audit Assignments to the External Auditor**

1. All proposed non-audit service assignments after the adoption of this policy will be approved by the chief executive officer (“CEO”) or chief financial officer (“CFO”) of the Company, or in their absence, chief operating officer (“COO”) which proposal should demonstrate that the External Auditor is the preferred service provider taking into all circumstances including but without limitation to assessment of price, capabilities and commitment.
2. All non-audit services which require specific approvals shall be submitted to the Audit Committee by the relevant department heads with the endorsement by the CEO or CFO, or in their absence COO.
3. For all audit and non-audit service assignments that have involved the External Auditor, the Audit Committee will be provided with the relevant details semi-annually for information.

## Schedule 1

### Approval Form for Proposed Services# by External Auditor of Sa Sa International Holdings Limited (“Company”)

Terms defined in the Policy on Provision of Audit and Non-audit Services by the External Auditor to the Company (“Policy”) bear the same meanings herein. All services set out herein shall be recorded and submitted to the Audit Committee semi-annually.

**External Auditor shall include any entity that is under common control, ownership or management with 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.**

**TABLE 1 – Services that are with GENERAL PRE-APPROVAL by the Audit Committee of the Company (“Pre-Approved Services”)(Note 1)**

# *Exclude Audit Services.*

\* *Copy of the engagement letter(s)/agreement(s) and other relevant supporting documents (as the case may be) shall be attached herein whenever deem appropriate.*

Nature of proposed Pre-approved Services (Note 2)	Particulars of the Pre-approved Services (including scope, estimated duration of such services and contact person(s) of the External Auditor etc)	Reasons for engaging the External Auditor (Note 3)	Proposed Services Fee	Remarks
<b>Total Amount:</b>				

Approved by: \_\_\_\_\_  
Chief Executive Officer/Chief Financial Officer/Chief Operating Officer (Note 4)

**TABLE 2 – Services that require SPECIFIC APPROVAL by the Audit Committee of the Company (“Specifically Approved Services”)**

# *Exclude Audit Services.*

\* *Copy of the engagement letter(s)/agreement(s) and other relevant supporting documents (as the case may be) shall be attached herein whenever deem appropriate.*

Nature of proposed Specifically Approved Services (Note 6)	Particulars of the Specifically Approved Services (including scope, estimated duration of Specifically Approved Services and contact person(s) of the External Auditor, etc)	Reasons for engaging the External Auditor (Note 3)	Proposed Services Fee	Remarks
<b>Total Amount:</b>				
<p>Proposed by: _____ Head of [ ] Department/Region (Note 5)</p> <p>Endorsed by: _____            Chief Executive Officer/            Chief Financial Officer/            Chief Operating Officer (Note 5)</p> <p>Approved by: _____            Chairman, on behalf of Audit Committee            (Note 5)</p>				

- Note 1 – Please refer to the services set out under the sections “Audit-related Services”, “Tax Services” and “All Other Services” in the Policy.*
- Note 2 - Please fill in the blank and select among Audit-related Services, Tax Services and All Other Services. Your attention is also drawn to the services set out in the Prohibited Services in the Policy.*
- Note 3 –Please demonstrate that the External Auditor is the preferred service provider taking into all circumstances including but without limitation to assessment of price, capabilities and commitment.*
- Note 4 –All proposed non-audit service assignments with general pre-approval by the Audit Committee will be approved by the chief executive officer (“CEO”) or chief financial officer (“CFO”) of the Company, or in their absence, chief operating officer (“COO”).*
- Note 5 -All non-audit services which require specific approvals shall be submitted to the Audit Committee by the relevant department heads with the endorsement by the CEO or CFO, or in their absence, COO.*
- Note 6 – Please refer to the services that require specific pre-approval set out in the Policy including those in “Audit Services” section.*

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## Schedule 2

### Semi-Annual Summary of Audit and Non-audit Services (“Services”) by External Auditor of Sa Sa International Holdings Limited (“Company”) For Audit Committee

Terms defined in the Policy on Provision of Audit and Non-audit Services by the External Auditor to the Company (“Policy”) bear the same meanings herein.

**External Auditor shall include any entity that is under common control, ownership or management with 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.**

Services Engaging Company within the Group (Note 1)	Scope of the Services (Note 2)	Particulars of the Services	Duration of the Services	Total agreed fee (“Fee”) of Services	Amount of Fee already paid as at the end of financial period/year	Amount of Fee already paid during the financial period/year	Remarks (Note 3)
<b>Total:</b>				=====	=====	=====	

Prepared by: \_\_\_\_\_  
 [Name of Department/Regional Head and Department/Region]

- Note 1 - Should more than one engaging company within the group be involved, please state a sub-total of the Fee and amount of Fee already paid as at the end of period/year for each engaging company.*
- Note 2 - Please fill in the blank and select among Audit Services, Audit-related Services, Tax Services and All Other Services. Your attention is also drawn to the services set out in the Prohibited Services in the Policy.*
- Note 3 - Please specify the date of the approval by the Audit Committee, if applicable.*

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