

*These Terms are prepared in English. In the event that there is any discrepancy or inconsistency between the English version and the Chinese version, the English version shall prevail.*



## **Hang Chi Holdings Limited**

### **恒智控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8405)**

## **AUDIT COMMITTEE TERMS OF REFERENCE**

### **1. Constitution**

The board of directors (the “**Board**”) of Hang Chi Holdings Limited (the “**Company**”) resolved to constitute and establish an audit committee (the “**Audit Committee**”) on 21 June 2017 with authority, responsibility and specific duty described below.

### **2. Membership**

- 2.1 Members of the Audit Committee (the “**Members**”) shall be appointed by the Board and shall be confined to non-executive directors only.
- 2.2 The Audit Committee shall comprise a minimum of three Members. The majority of the Members shall be independent non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).
- 2.3 The chairman of the Audit Committee shall be appointed by the Board and 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 two years from the date of the person ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

2.5 The company secretary of the Company or any other person with appropriate qualification and experience as appointed by the Audit Committee from time to time shall be the secretary of the Audit Committee.

### **3. Meetings**

3.1 The Audit Committee shall meet with such frequency and at such times as it may determine, but in any event not less than twice a year with the external auditor of the Company.

3.2 Unless waived by all Members on notice, the secretary of the Audit Committee shall give seven days prior notice to all Members for any meeting to be convened and circulate the meeting agenda to the Members.

3.3 The quorum for a meeting shall be two Members, of whom one has to be an independent non-executive Director.

3.4 Meetings shall be held in person or by means of a conference telephone, electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously.

3.5 Resolutions of the Audit Committee at any meeting shall be passed by a majority of votes of the Members present.

3.6 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

3.7 Full minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be sent to all Members for their comment and records within a reasonable time after the meeting.

3.8 At the invitation of the Audit Committee, the directors, external advisers and other persons may attend all or part of any meeting. However, only the Members are entitled to vote at the meetings.

### **4. Authority**

4.1 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purpose of discharging its duties.

4.2 The Audit Committee shall have access to independent professional advice if necessary.

4.3 The Audit Committee shall be provided with sufficient resources to perform its duties.

## **5. Responsibility and Duty**

The main responsibilities and duties of the Audit Committee should include:

### ***Relationship with the Company's auditor***

- 5.1 to act as the key representative body for overseeing the Company's relations with the external auditor;
- 5.2 to be primarily responsible for making recommendations 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;
- 5.3 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.4 to develop and implement policy on engaging 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 knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

### ***Review of the Company's financial information***

- 5.5 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) the going concern assumptions and any qualifications;

- (e) compliance with accounting standards; and
- (f) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.

5.6 Regarding 5.5 above:

- (a) Members shall liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and
- (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and account, it shall 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 auditor.

***Oversight of the Company's financial reporting system, risk management and internal control systems***

- 5.7 to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, risk management and internal control systems;
- 5.8 to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective systems. 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;
- 5.9 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 5.10 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;
- 5.11 to review the group's financial and accounting policies and practices;
- 5.12 to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;

- 5.13 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.14 to report to the Board on the matters in Code C.3.3 of the Corporate Governance Code, Appendix 15 to the GEM Listing Rules;
- 5.15 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 shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 5.16 to consider other topics, as defined by the Board.

*Others*

- 5.17 The chairman of the Audit Committee or in his absence, another Member or failing this, his duly appointed delegate, shall attend and be available to answer questions at the annual general meeting of the Company.

**6. Reporting**

The Audit Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the chairman of the Audit Committee shall report to the Board on the findings and recommendations of the Audit Committee.

Revised and adopted by the Board on 18 January 2019.