



# 華邦金融控股有限公司

## Huabang Financial Holdings Limited

(the “Company”)

### Terms of Reference of the Audit Committee

(Adopted by the Company with effect from 30 March 2016 and amended on 1 January 2019)

#### Constitution

1. The Audit Committee is established as a committee of the board of directors of the Company (the “**Board**”).

#### Objective

2. The Audit Committee shall be responsible for ensuring the objectivity and credibility of financial reporting of the Company and for maintaining an appropriate relationship with the external auditor.

#### Membership

3. The members of the Audit Committee shall be appointed by the Board.
4. The Audit Committee shall consist of at least three members. A majority of the members must be independent non-executive directors (“**INEDs**”) and the remaining members must be non-executive directors. At least one of the members shall be an INED 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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
5. A former partner of the Company’s existing auditing firm shall not act as a member of the Audit Committee 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.
6. The chairman of the Audit Committee shall be appointed by the Board from among its INEDs (the “**Chairman**”) and in the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

## **Secretary**

7. The company secretary of the Company or his/her nominee shall be the secretary of the Audit Committee.

## **Notice of meetings**

8. A meeting of the Audit Committee may be convened by any of its members or by the company secretary.
9. Unless otherwise agreed by all the members of the Audit Committee, notice of at least 14 days shall be given for a regular meeting of the Audit Committee. Notice of any adjourned meetings is not required if the adjournment is for less than 14 days. For all other meetings of the Audit Committee, reasonable notice shall be given.
10. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Audit Committee and any other person required to attend no fewer than three working days prior to the date of the meeting.

## **Frequency of meetings**

11. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider it necessary.

## **Attendance at meetings**

12. The Chief Financial Officer, the head or a representative of the Internal Audit Department, and a representative of the external auditor shall normally attend meetings. Other Board members shall have the right to attend meetings of the Audit Committee. However, the Audit Committee shall meet with the external auditor of the Company without the presence of its Executive Directors at least twice a year.
13. Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication or in such other manner as the members may agree.
14. Only the members of the Audit Committee are entitled to vote at the meetings.

## **Annual General Meeting**

15. The Chairman or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the annual general meetings of the Company and be prepared to respond to any shareholder's questions on the Audit Committee's activities and responsibilities.

## **Authority**

16. The Audit Committee is authorized by the Board to investigate any 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.
17. The Audit Committee is authorized by the Board, at the Company's expense, to appoint legal or other independent professional advisers with relevant experience and expertise to assist the Audit Committee and to secure the attendance of such professional advisers at its meetings if it considers it necessary.
18. The Audit Committee is authorized to require management to provide it with such resources as may be necessary for it to discharge its duties.
19. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Board will arrange for inclusion 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.

## **Duties**

20. The duties of the Audit Committee shall be:
  - a. 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 regarding its resignation or dismissal;
  - b. 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 should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- c. To develop and implement policy on engaging an external auditor to supply non-audit services (for which 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 Audit Committee should report to the Board, identifying and making recommendations on any such matters where action or improvement is needed;
- d. To monitor the integrity of the Company's financial statements, annual report and account, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgments contained in them. In reviewing these reports 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 the audit;
  - iv. The going concern assumptions and any qualifications;
  - v. Compliance with accounting standards; and
  - vi. Compliance with the Listing Rules and legal requirements in relation to financial reporting;
- e. Regarding d. above:-
  - i. Members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice 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 the reports 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;

- f. To review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- g. To discuss the risk management and internal control system with management to ensure that management has performed its duty to have 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;
- h. 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;
- i. 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;
- j. To review the group's financial and accounting policies and practices;
- k. To review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- l. To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- m. To report to the Board on the matters set out in this term of reference;
- n. To consider other issues, as defined by the Board;
- o. To review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- p. To act as the key representative body for overseeing the Company's relations with the external auditor; and
- q. Should make available its terms of reference, explaining the Audit Committee's role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.

## **Reporting procedures**

21. The secretary of the Audit Committee shall keep full minutes of all Audit Committee meetings. The secretary of the Audit Committee shall circulate draft and final versions of such minutes of the meetings to all committee members for their comments and records within a reasonable time after the meeting.
22. The Chairman shall report back to the Board on the Audit Committee's decision and recommendations, unless there are legal or regulatory restrictions on the Audit Committee's ability to do so.
23. The Audit Committee shall compile a report to the shareholders on its activities to be included in the Company's annual report.