



## EAGLE RIDE INVESTMENT HOLDINGS LIMITED

### 鷹力投資控股有限公司

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

(Stock Code: 901)

#### Terms of Reference of Audit Committee

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Reference to “the Committee” shall mean the Audit Committee of Eagle Ride Investment Holdings Limited.

Reference to “the Board” shall mean the board of directors of Eagle Ride Investment Holdings Limited.

Reference to “the Company” shall mean Eagle Ride Investment Holdings Limited and reference to “the Group” shall mean the company and its subsidiary undertakings.

Reference to “the Listing Rules” shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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#### 1. Membership

- 1.1 Members of the Committee shall be appointed by the Board where appropriate in consultation with the Chairman of the Committee. The Committee shall comprise non-executive directors only and at least three members;
- 1.2 Majority of members of the Committee shall be independent non-executive directors, at least one of whom shall have appropriate professional qualifications or relevant accounting or related financial management expertise as required under the Listing Rules. The Chairman of the board shall not be a member of the Committee;
- 1.3 Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chairman of the board, the Managing Director, the Chief Executive Officer, other directors and representatives from the finance function, may be invited to attend all or part of any meeting as and when appropriate;
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis;
- 1.5 Appointments to the Committee shall be for such initial period (subject to extension) as prescribed by the board; and

1.6 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of the members (who shall be an independent non-executive director) to chair the meeting.

**2. Secretary**

The company secretary shall act as the secretary of the Committee.

**3. Quorum**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

**4. Frequency of Meetings**

The Committee shall meet at least two or such other times a year at appropriate times in the reporting and audit cycle and otherwise as required. The Committee shall meet at least two times annually with the external auditor in accordance with 8.1.3.

**5. Notice of Meetings**

5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary; and

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend at least 14 days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at least 3 days in advance of the meeting.

**6. Minutes of Meetings**

6.1 The secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance;

6.2 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly; and

6.3 The secretary of the Committee shall circulate draft minutes of Committee meetings to all members of the Committee within a reasonable time (generally within 14 clear days) after each meeting for their comment and, once agreed and finalized, to all members of the board and the Committee for their records.

## **7. Annual General Meeting**

The Chairman of the Committee should, as far as practicable, attend the Annual General Meeting and make himself available to respond to any shareholders' questions on the Committee's activities.

## **8. Duties**

The Committee shall carry out the duties below:

### **8.1 Financial Review**

8.1.1 The Committee shall monitor integrity of the company's financial statements , including annual report and accounts, interim and other periodic reports, preliminary results' announcements and review significant financial reporting judgments contained in them;

8.1.2 The Committee shall review and focus on areas including but not limited to:

8.1.2.1 any changes in accounting policies and practices;

8.1.2.2 major judgmental areas;

8.1.2.3 significant adjustments resulting from audit;

8.1.2.4 the going concern assumptions and any qualifications;

8.1.2.5 compliance with accounting standards; and

8.1.2.6 compliance with the Listing Rules and legal requirements in relation to financial reporting.

8.1.3 regarding 8.1.2 above, (a) members of the Committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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.

### **8.2 Financial Reporting System, Risk Management and Internal Controls Systems Review**

The Committee shall:

8.2.1 review the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, review the Group's risk management and internal control systems;

8.2.2 discuss the risk management and internal control systems 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;

8.2.3 consider major investigation findings on risk management and internal controls matters as delegated

- by the Board or on its own initiative and management's response to these findings;
- 8.2.4 where an internal audit function exists, ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing with the Company, and review and monitor its effectiveness;
  - 8.2.5 review the Group's financial and accounting policies and practices;
  - 8.2.6 review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
  - 8.2.7 ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - 8.2.8 report to the Board on the matters in these terms of reference, and
  - 8.2.9 consider other topics, as defined by the Board.

### **8.3 Employees' Concerns**

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence and/or anonymous, about possible wrongdoing in financial reporting, internal controls or other accounting related matters. The Committee shall ensure that these arrangements allow fair, proportionate and independent investigation of these matters and appropriate follow up action.

### **8.4 Relationship with the External Auditor**

The Committee shall:

- 8.4.1 consider and make recommendations to the board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee shall oversee the selection process for new auditors and if auditors resign the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.4.2 act as the key representative body for overseeing the Company's relations with the external auditors including (but not limited to):
  - 8.4.2.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - 8.4.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

- 8.4.2.3 assess annually their independence and objectivity taking into account relevant professional standards and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
- 8.4.2.4 satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Company (other than in the ordinary course of business);
- 8.4.2.5 agreeing with the board a policy on prohibition of the employment of former partner of the Company's auditors acting as a member of the Committee for a period of 1 year from the date of his ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is later, then monitoring the implementation of this policy; and
- 8.4.2.6 assess annually their qualifications, expertise and resources and the effectiveness of the audit process.
- 8.4.3 meet regularly with the external auditors to discuss the nature and scope of the audit and reporting obligations before audit commences and at least twice annually. The Committee shall meet the external auditors, where appropriate, without management being present, to discuss their remit and any issues arising from the audit;
- 8.4.4 review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
  - 8.4.4.1 a discussion of any major issues which arose during the audit;
  - 8.4.4.2 any accounting and audit judgments; and
  - 8.4.4.3 levels of errors identified during the audit;
- 8.4.5 review the management letter and management's response to the auditors' findings and recommendations;
- 8.4.6 review the effectiveness of the audit; and
- 8.4.7 develop and implement a policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter. A list of prohibition of non-audit services provided by external auditors is set out in Appendix 1.

## **8.5 Reporting and Advisory Responsibilities**

- 8.5.1 The Committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.5.2 The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

## **8.6 Other Matters**

The Committee shall:

- 8.6.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 8.6.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 8.6.3 give due consideration to applicable laws and regulations, including relevant corporate governance codes and the Listing Rules as appropriate;
- 8.6.4 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 8.6.5 make available the Committee's terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website and the Company's website.

## **9. Authority**

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of the group in order to perform its duties;
- 9.2 to obtain, at the Company's expense, outside legal or other independent professional advice on any matter within its terms of reference; and
- 9.3 to call any employee to attend at a meeting for information and discussion of the Committee as and when required.

(Effective 1 January 2016)

## **Appendix 1**

### **Non-Audit Services**

External auditors are prohibited to provide the following non-audit services to the Company which would impair the auditors' independence:-

- (i) Book-keeping or other services related to the audit client's accounting records or financial statements;
- (ii) Financial information systems design and implementation;
- (iii) Appraisal or valuation services and fairness opinions;
- (iv) Actuarial services;
- (v) Internal audit services;
- (vi) Management functions;
- (vii) Human Resources;
- (viii) Broker-dealer services; and
- (ix) Legal services.