



恆泰裕集團控股有限公司
HANG TAI YUE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8081)
(the “Company”)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. MEMBERSHIP

- 1.1 Members of the Audit Committee shall be appointed by the board of directors (the “Board”) of the Company.
- 1.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Audit Committee must be independent non-executive directors (“INEDs”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

2. CHAIRMAN

- 2.1 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

3. SECRETARY

- 3.1 The Company Secretary shall be the secretary of the Audit Committee.

4. PROCEEDINGS OF THE AUDIT COMMITTEE

Unless otherwise specified hereunder, the provisions contained in the Company’s Bye-laws (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

4.1 Quorum

- 4.1.1 The quorum for meetings of the Audit Committee shall be any two members.

4.2 Frequency of meetings

4.2.1 The Audit Committee shall hold at least four regular meetings in a year to review and discuss the quarterly results, interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.

4.2.2 The Audit Committee shall meet with the external auditors at least twice a year. The external auditors may request a meeting if they consider necessary.

4.3 Attendance at meetings

4.3.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person, by telephone or through other electronic means of communication or in such other manner as the members may agree.

4.3.2 The chief financial officer, other directors, Company Secretary (or his/her delegate(s)), head of internal audit, relevant senior management and persons(s) invited by a Committee member and representative(s) of the external auditors shall normally attend meetings of the Audit Committee.

4.4 Notice of meetings

4.4.1 A meeting of the Audit Committee may be convened by any of its members or by the Company Secretary.

4.4.2 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. For all other meetings of the Audit Committee, reasonable notice shall be given.

4.4.3 Agenda and accompanying supporting papers shall be sent to all members of the Audit Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

4.5 Resolutions

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

4.6 Minutes of meetings

4.6.1 Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comment and records within a reasonable time after the meeting.

4.6.2 Minutes of the Audit Committee shall be kept by the Company Secretary and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.

4.7 Written resolutions

4.7.1 Without prejudice to any requirement under the GEM Listing Rules, written resolution may be passed and adopted by all members of the Audit Committee.

5. RESPONSIBILITIES AND AUTHORITIES OF THE AUDIT COMMITTEE

5.1 The responsibilities and authorities of the Audit Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “CG Code”) as contained in Appendix 15 of the GEM Listing Rules (as amended from time to time).

5.2 Without prejudice to any requirement under the CG Code, the duties of the Audit Committee include the following:

5.2.1 Relationships with the Company’s auditors

- (a) To act as the key representative body for overseeing the Company’s relation with the external auditors, and to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and to consider any questions of their resignation or dismissal.
- (b) To review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard, and to discuss with the 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 this purpose, “external auditors” 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 matters where action or improvement is needed.

5.2.2 Review of the Company’s financial information

- (d) 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 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 audit;

- (iv) the going concern assumptions and any qualifications;
- (v) compliance with accounting standards; and
- (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.

(e) Regarding to (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.

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

- (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 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.
- (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 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 herein.

- (n) To consider other topics, as defined by the Board.
- (o) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

5.3 The Audit Committee shall be provided with sufficient resources to perform its duties and shall have access to independent professional advice if necessary.

5.4 All members of the Audit Committee shall have access to the advice and services of the Company Secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

6. REPORTING RESPONSIBILITIES

6.1 The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

7. ANNUAL GENERAL MEETING

7.1 The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Audit Committee's work and responsibilities.

Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.