



INNO-TECH HOLDINGS LIMITED
匯 創 控 股 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(Stock Code : 8202)

INNO-TECH HOLDINGS LIMITED
(the “Company”)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. *Constitution*

1.1 The Board of Directors (the “**Board**”) of Inno-Tech Holdings Limited (the “**Company**”) established the Audit Committee (the “**Committee**”) on 5 July 2002.

2. *Membership*

2.1 The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall comprise not less than three members, a majority of whom should be independent.

2.2 The Chairman of the Committee shall be appointed by the Board and should be an independent director.

2.3 The quorum for a meeting of the Committee shall be two members.

3. *Meetings*

3.1 The Finance Director, the head of internal audit, and a representative of the external auditor shall attend meetings of the Committee.

** For identification purpose only*

3.2 The company secretary shall act as the secretary to the Committee and must ensure that full minutes are kept of all meetings.

3.3 The Committee should meet at least four times each year and additional meetings should be held as requested by the external auditors or as it deems necessary to fulfill its responsibilities.

4. Minutes of meetings

4.1 The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

4.2 Minutes of the Committee should be sent to all members within a reasonable time after the meeting of the Committee is held.

5. Duties and Responsibilities

5.1 The duties and responsibilities of the Committee include the following:

5.1.1 Relationship with external auditor

- (a) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- (b) to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (d) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (e) to develop and implement policy on engaging an external auditor to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

5.1.2 Review of the Company's financial information

(a) to monitor integrity of the Company's financial statements and the 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 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and legal requirements in relation to financial reporting;

(b) Regarding (a) above:-

- (i) 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
- (ii) 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.

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

(a) 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;

- (b) 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;
- (c) 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;
- (d) 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;
- (e) to review the Group's financial and accounting policies and practices;
- (f) 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;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters in the code provisions under the Corporate Governance Code in Appendix 15 to the GEM Listing Rules to be implemented or from time to time implemented by the Stock Exchange;
- (i) to consider other topics, as defined by the Board;
- (j) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (k) to act as the key representative body for overseeing the Company's relations with the external auditor.

6. *Authority*

6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employees of the Company in order to perform its duties and all employees are directed to co-operate with any request made by the Committee.

6.2 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

7. *Reporting procedures*

7.1 The chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

(Adopted by the Company pursuant to the Board resolution passed on 5 July 2002 and revised on 28 December 2015)

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