



**XIEZHONG INTERNATIONAL HOLDINGS LIMITED**  
(the “Company”)

**AUDIT COMMITTEE — TERMS OF REFERENCE**  
(“TERMS OF REFERENCE”)

**I. CONSTITUTION**

1. The board (the “**Board**”) of directors of the Company (the “**Directors**”) has resolved to establish a committee of the Board to be known as the Audit Committee (the “**Committee**”).

**II. MEMBERSHIP**

2. The members of the Committee shall be appointed by the Board from amongst the non-executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive Directors. A quorum shall be two members.
3. At least one of the Committee members (who is an Independent Non-executive Director) shall have appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing:
  - 4.1 to be a partner of the firm; or
  - 4.2 to have any financial interest in the firm,whichever is later.
5. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive Director.

**III. ATTENDANCE AT MEETINGS**

6. The Finance Director, the Head of Internal Audit, and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors without executive Board members present.

(Effective from 1 January 2019)

7. The company secretary shall be the secretary of the Committee.

#### **IV. FREQUENCY OF MEETINGS**

8. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

#### **V. AUTHORITY**

9. 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 employee and all employees are directed to co-operate with any request made by the Committee.

10. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

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

#### **VI. DUTIES**

12. The duties of the Committee shall include the following aspects:

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

- (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 of 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 Committee should 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 nonaudit services. For this 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

## **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, if prepared for publication, 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 Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) 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;

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

- (f) to review the Company's financial controls, 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, internal audit 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 in these Terms of Reference;
- (n) 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;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor; and
- (p) to consider other topics, as defined by the Board.

## **VII. REPORTING PROCEDURES**

13. Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes meetings should be sent to all Committee members for their comment and records, within a reasonable time after the meeting.

## **VIII. PUBLICATION OF THESE TERMS OF REFERENCE**

14. A copy of these Terms of Reference will be made available to any person without charge upon request, and both notice as to such availability and these Terms of Reference will be posted on the websites of the Company and the Stock Exchange.