



中國恒嘉融資租賃集團有限公司

CHINA EVER GRAND FINANCIAL LEASING GROUP CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 379)

## Terms of Reference of Audit Committee

### 1 Membership

- 1.1 Members of the Audit Committee (the “Committee”) shall be appointed by the Board of Directors (the “Board”) of the Company and shall be made up of at least three members who are directors of the Company.
- 1.2 All members of the Committee shall be non-executive directors, at least one of whom shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).
- 1.3 The majority of the Committee members shall be independent non-executive directors.
- 1.4 The Committee Chairman shall be appointed by the Board and shall be an independent non-executive director. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 1.5 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 2 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.

### 2 Secretary

- 2.1 The company secretary or his nominee shall act as the secretary of the Committee.

### 3 Quorum

- 3.1 A quorum shall be two members.

### 4 Frequency of Meetings

- 4.1 Meetings shall be held at least twice a year. Additional meetings should be held as the work of the Committee and external auditor demands.
- 4.2 The Committee Chairman may convene additional meetings at his/her discretion.



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## **5 Minutes of Meetings**

- 5.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee.
- 5.2 The secretary shall circulate the minutes of the meetings to all members of the Committee and once agreed by the Committee Chairman, to all members of the Board.
- 5.3 A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

## **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 employee 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 outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **7 Duties**

The duties of the Committee shall be:-

- 7.1 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;
- 7.2 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;
- 7.3 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;
- 7.4 To monitor integrity of the Company's financial statements and annual report and accounts, and half-year report 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:



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- any changes in accounting policies and practices;
- major judgemental areas;
- significant adjustments resulting from audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the Listing Rules and legal requirements in relation to financial reporting;

7.5 Regarding to 7.4 above,:-

- 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
- The 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 or auditors;

7.6 To review the Company's financial controls, and unless expressly addressed by a separate risk committee, or by the Board itself, to review the Company's internal controls and risk management systems;

7.7 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;

7.8 To consider major investigation finding on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

7.9 To review the Group's financial and accounting policies and practices;

7.10 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;

7.11 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

7.12 To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal



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control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- 7.13 To act as the key representative body for overseeing the Company's relations with the external auditor;

***Corporate Governance Duties:***

- 7.14 To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- 7.15 To review and monitor the training and continuous professional development of directors and senior management;

- 7.16 To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- 7.17 To develop, review and monitor the code of conduct applicable to employees and directors;

- 7.18 To review the Company's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report; and

- 7.19 To consider other topics, as requested by the Board.

**8 Reporting Responsibilities**

- 8.1 The Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the Committee Chairman shall report to the Board on the findings and recommendations of the Committee.

*(Updated on 31 December 2018)*