

ASIAN CAPITAL HOLDINGS LIMITED
卓亞資本有限公司
(the “Company”)

AUDIT COMMITTEE

TERMS OF REFERENCE

1. Membership

- 1.1 The Committee shall be appointed by the Board and shall be made up of at least three members (the “Members”).
- 1.2 All Members shall be non-executive directors. The majority of which shall be independent non-executive directors (“INEDs”) and at least one of whom shall have appropriate professional qualifications or accounting or related financial management expertise. 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 chief financial officer, the head of internal audit, 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 The chairman of the Committee (the “Committee Chairman”) shall be appointed by the Board and must be an INED. In the absence of the Committee Chairman and/or an appointed deputy, the remaining Members present shall elect one of the Members to chair the meeting.

2. Secretary

- 2.1 The company secretary or its/his/her/their nominee shall act as the secretary of the Committee.
- 2.2 The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

3. Quorum, Attendance at Meetings and Resolutions

- 3.1 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.
- 3.2 Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 3.3 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present.
- 3.4 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.

4. Frequency of Meetings

The Committee shall meet at least four times each year. The external auditors or any Member of the Committee may request a meeting if they consider that one is necessary.

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.
- 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 (or such other period as agreed).

6. Minutes of Meetings

- 6.1 The secretary 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 shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

- 6.3 Full minutes should be kept by the secretary. Draft and final versions of minutes of the Committee shall be circulated to all Members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. Such minutes shall be open for directors' inspection.

7. Annual General Meeting

The Committee Chairman should, as far as practicable, attend the annual general meeting (the "AGM") and make himself available to respond to any shareholder questions on the Committee's activities.

8. Responsibility, Powers and Discretion

The responsibility of the Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting and internal control system. The Committee shall have the following responsibilities, powers and discretion:

Relationship with the Company's External Auditors

- 8.1 to be primarily responsible for making recommendation 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 resignation or dismissal of that auditor;
- 8.2 to review and monitor the external auditor's independence and objectivity;
- 8.3 to review and monitor the effectiveness of the audit process in accordance with applicable standard and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- 8.4 to develop and implement policy on the engagement of external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit form nationally or internationally;
- 8.5 to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

8.6 to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-yearly report and quarterly reports (if applicable), and to review any significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-yearly reports and quarterly reports before submission to the Board, the Committee shall focus particularly on:

- (a) any changes in accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

8.7 In regard to 8.6 above:-

- (g) members of the Committee must liaise with the Company's Board, senior management and the person appointed as the Company's staff responsible for the accounting and financial reporting function;
- (h) the Committee must meet, at least once a year, with the Company's external auditors; and
- (i) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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 person occupying the same position), or external auditors;

Oversight of the Company's financial reporting system and internal control procedures

8.8 to review the Company's financial controls, internal control and risk management systems;

8.9 to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

- 8.10 to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- 8.11 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 the effectiveness of the internal audit function;
- 8.12 to review the Group's financial and accounting policies and practices;
- 8.13 to review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- 8.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 8.15 to report to the Board on all matters set out in the Terms of Reference; and
- 8.16 to consider any other matters specifically referred to the Committee by the Board.

Employees' Concerns

- 8.17 to 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 matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

9. Reporting Responsibilities

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

10. Other Matters

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

- 10.2 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;
- 10.3 give due consideration to applicable laws and regulations, including relevant corporate governance codes and the rules of the Hong Kong Stock Exchange as appropriate;
- 10.4 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 10.5 make available the Committee's terms of reference.

11. Authority

The Committee is authorized by the Board:

- 11.1 to investigate any activity within its terms of reference;
- 11.2 to seek any information it requires from any employee of the Group in order to perform its duties and all employees will be directed to co-operate with any request made by the Committee; and
- 11.3 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.