



HAO WEN HOLDINGS LIMITED

皓文控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8019)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1. MEMBERSHIP

- 1.1 Members of the audit committee of the Company (“Audit Committee”) shall be appointed by the board (the “Board”) of directors (the “Director(s)”) 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).
- 1.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of the person ceasing:
 - 1.4.1 to be a partner of the firm; or
 - 1.4.2 to have any financial interest in the firm, whichever is the later.

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 of the Company (the “Company Secretary”) shall be the secretary of the Audit Committee. In the absence of the Company Secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee, shall attend the meeting of the Audit Committee and take minutes.

4. PROCEEDINGS OF THE AUDIT COMMITTEE

Unless otherwise specified hereunder, the provisions contained in the Company’s articles of association (as amended from time to time) for proceedings of Directors’ meetings 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, 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 or through other electronic means of communication or in such other manner as the members may agree.

4.3.2 The Directors, Company Secretary (or his/her delegate(s)), head of internal audit of the Company, relevant Senior Management of the Company (the “Senior Management”) and person(s) invited by an Audit 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 3 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 Minutes of meetings

4.5.1 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.

4.5.2 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.

4.6 Written resolutions

4.6.1 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 as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) 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 external 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 external auditors the nature and scope of the audit and reporting obligations before the audit commences, and ensure proper co-ordination where more than one audit firm is involved.
- (c) To develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, "external auditors" 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 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.
- (d) To discuss problems and qualified opinions arising from the annual audit, and any matters the external auditors may wish to discuss (in the absence of Senior Management where necessary).

5.2.2 Review of the Company's financial information

- (a) To monitor integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, 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.

- (b) Regarding to (a) above:
 - (i) members of the Audit Committee should liaise with the Board and the Senior Management and the Audit Committee must meet, at least twice a year, with the Company's external 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 external auditors.

5.2.3 Oversight of the Company's financial reporting system

- (a) To review the Company's financial controls, risk management and internal control systems.
- (b) To review the financial and accounting policies and practices of the Company and its subsidiaries (collectively the "Group").
- (c) To review the external auditors' management letter, any material queries raised by the external auditors to the Senior Management about accounting records, financial accounts or systems of control and the Senior Management's response.
- (d) To ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter.
- (e) To report to the Board on the matters set out herein.
- (f) To review arrangements by which employees of the Company, 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.
- (g) To consider other topics, as defined by the Board.

5.2.4 Oversight of the Company's risk management and internal control procedures

- (a) To oversee and monitor the risk management and internal control systems of the Company on an ongoing basis and conducting periodic review (at least annually) with the Company's external auditors and Senior Management of the scope, adequacy and effectiveness of the Group's corporate accounting and financial controls, risk management and internal control systems, and any related significant findings regarding risks or exposures and considering recommendations for improvement of such controls. The review should cover all material controls, including financial, operational and compliance controls. In conducting the review, the Audit Committee should, in particular, consider:
 - (i) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
 - (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
 - (iii) the extent and frequency of communication of monitoring results to the Audit Committee (or to the Board) which enables it to assess control of the Company and the effectiveness of risk management;
 - (iv) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
 - (v) the effectiveness of the Company's processes for financial reporting and GEM Listing Rules compliance.
- (b) To discuss the risk management and internal control systems with the Senior Management to ensure that the Senior Management has performed its duties in establishing and maintaining effective systems, including the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Company's accounting, internal audit and financial reporting functions.
- (c) To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and Senior Management's response to these findings.

- (d) To review the Company's internal audit function* to ensure co-ordination within the Group and between the Company's 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.

* An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems so as to add value and improve the Company's operations. Internal audit function helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- (e) To report to the shareholders of the Company it has conducted the annual review of its risk management and internal control systems and the effectiveness of the internal audit function or the need for an internal audit function and the reasons for the absence of such a function (as the case may be) in the Corporate Governance Report and ensuring other disclosure requirements in relation to how the Company has complied with the risk management and internal control code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" of the GEM Listing Rules are fulfilled.

5.2.5 Oversight of the Internal Audit Function

- (a) To review the appointment or replacement and performance of the general manager of internal audit department.
- (b) To review and discuss with the management in charge of the internal audit the plan, including the nature and scope of internal audit activities and the relevant reporting obligations as well as the budget and staffing of the internal audit group before the audit commences. The Audit Committee shall review on a periodic basis with the general manager of internal audit department, the progress of the proposed internal audit plan, including explanations for any deviations from the original plan and any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
- (c) To review the significant reports to the management prepared by the internal audit department and the Senior Management's response to such reports.

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 Senior Management for obtaining necessary information.

6. FAILURE TO REACH AN AGREEMENT REGARDING EXTERNAL AUDITORS

6.1 Where the Board has taken a different view from the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall submit a statement to the Company explaining its recommendation, which statement will be disclosed by the Company in the Corporate Governance Report in accordance with Appendix 15 of the GEM Listing Rules.

7. REPORTING RESPONSIBILITIES

7.1 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).

8. ANNUAL GENERAL MEETING

8.1 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 meetings of the Company (the “Annual General Meetings”) and be prepared to respond to questions at the Annual General Meetings on the Audit Committee’s work and responsibilities.

9. PROVISION OF TERMS OF REFERENCE

9.1 The Audit Committee should provide the terms of reference upon request and upload it to The Stock Exchange of Hong Kong Limited’s website and the Company’s website to explain the duties of the Audit Committee and the authority the Board granted to it.

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