# DU DU HOLDINGS LIMITED
# 都都控股有限公司
**(the "Company")**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8250)**

## TERMS OF REFERENCE OF AUDIT COMMITTEE

(REVISED VERSION ADPOTED AND PASSED ON 1 FEBRUARY 2019)

### 1. Membership

1.1 The members of the audit committee ("**Audit Committee**") shall be appointed by the board of directors (the "**Board**") of the Company and should comprise a minimum of three members.

1.2 The members of the Audit Committee shall be appointed from amongst the non-executive directors of the Company. The majority of members of the Audit Committee should be independent non-executive directors of the Company, at least one of whom is an independent non-executive director with professional qualifications or accounting or related financial management expertise. The constitution of the Audit Committee shall comply with the requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**") from time to time.

1.3 The chairman of the Audit Committee shall be appointed by the Board. The chairman must be an independent non-executive director of the Company.

1.4 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 two years from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

1.5 The term of each appointment to the members of the Audit Committee shall be determined by the Board upon appointment.

## 2. Secretary

2.1 The company secretary of the Company shall normally be the secretary of the Audit Committee.

2.2 The Audit Committee may from time to time appoint another secretary with appropriate qualification and experience.

2.3 The secretary of the Audit Committee should attend all meetings of the Audit Committee.

## 3. Meetings

3.1 Meetings of the Audit Committee shall be held at least four times a year. The external auditors may make the request to the chairman of the Audit Committee to convene a meeting of the Audit Committee.

3.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda items to be discussed shall be sent to each member of the Audit Committee, and to any other person required to attend in relation to all meetings of the Audit Committee, at least 3 working days before the date of the meeting.

3.3 The quorum of the Audit Committee meetings shall be two. One of them shall be an independent non-executive director. In the event of an equality of votes, the chairman of the Audit Committee shall be entitled to a second or casting vote.

3.4 The members of the Audit Committee may attend meetings either in person, by telephone or through other electronic means of communication (which are available to all attended parties) and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

3.5 Resolutions of the Audit Committee shall be passed with a majority of votes.

3.6 Resolutions signed by all members of the Audit Committee will be treated valid as if it is passed in the meeting held by the Audit Committee and may consist of several documents in the same form each signed by one or more of the members of the Audit Committee. Such resolution may be signed and circulated by fax.

3.7 Full minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee and shall be available for inspection by any member of the Audit Committee and/or any director of the Company at any reasonable time on reasonable notice. Draft and final versions of minutes of the Audit Committee meetings shall be sent to all members of the Audit Committee for their comments and records within a reasonable time after the meeting. Once they are agreed, the secretary of the Audit Committee shall circulate the minutes and reports of the Audit Committee to all members of the Board.

3.8 Proceedings of meetings of the Audit Committee shall be governed by the provisions of the Articles of Association of the Company.

## 4. Attendance of Meetings

4.1 The Audit Committee shall attend meetings at least twice a year with the external auditors without executive Board members present (except those invited by the Audit Committee).

4.2 The chairman of the Audit Committee may convene additional meetings at his discretion.

4.3 Upon invitation by the Audit Committee, the following persons may attend all or any of the meetings: (a) the head of internal audit, (if absence) the representative of internal audit; (b) the financial controller; and (c) other Board members.

4.4 Only the members of the Audit Committee shall have the voting powers.

## 5. Annual general meetings

5.1 The chairman of the Audit Committee shall endeavour to attend the annual general meetings of the Company and be prepared to respond to any shareholder questions on the Audit Committee's activities. If the chairman of the Audit Committee is unable to attend, a member of the Audit Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company. Such person shall be prepared to respond to any shareholder questions on the Audit Committee's activities.

## 6. Duties and responsibilities

The duties and responsibilities of the Audit Committee are as follows:

*Relationship with the Company's external auditors*

6.1 to be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;

6.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

6.3 to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

6.4 to develop and implement policy on engaging an external auditor to supply non-audit 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

*Review of finance information*

6.5 to review and monitor the 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 judgments contained therein. In reviewing these reports before submission to the Board, focusing particularly on:

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from the audit;

(d) going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;

6.6 In regard to the above duties in paragraph 6.5 above,

(a) the members of the Audit Committee shall liaise with the Board and senior management of the Company;

(b) the Audit Committee must meet, at least twice a year, with the external auditor; and

(c) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and to 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, external auditor or internal control officer;

*Monitoring the financial reporting system, risk management and internal control systems*

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

6.8 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 programs and budget of the Company's accounting and financial reporting function;

6.9 to consider major investigations 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;

6.10 where an internal audit function exists, to review the internal audit programs, to ensure coordination 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;

6.11 to review the Group's financial and accounting policies and practices;

6.12 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;

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

6.14 to act as the key representative body for overseeing the Company's relations with the external auditor;

6.15 to report to the Board on the matters set out in the Code on Corporate Governance Practices in Appendix 15 of the GEM Listing Rules; and

6.16 to consider other matters, as required by the Board, to be performed by the Audit Committee.

*General Responsibilities*

6.17 The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls and risk management system of the Company and its subsidiaries, and as to the adequacy of the external and internal audits.

6.18 The Audit Committee shall fulfill other responsibilities as required by the GEM Listing Rules from time to time.

## 7. Reporting responsibilities

7.1 After each meeting, the Audit Committee shall report formally to the Board on all matters within its duties and responsibilities and the chairman of the Audit Committee shall report the findings and recommendations of the Audit Committee to the Board.

7.2 Each member of the Audit Committee who is an independent non-executive director of the Company shall provide an annual confirmation of his or her independence to the Company in accordance with the requirements of the GEM Listing Rules.

## 8. Authority

8.1 The Audit Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to co-operate with the Audit Committee. The Audit Committee is authorized 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.

8.2 The Audit Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

8.3 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee will arrange for the Corporate Governance Report in the Annual Report of the Company to include an explanation of the Audit Committee's view and the reasons why the Board has taken a different view.

8.4 The Audit Committee shall have access to sufficient resources in order to perform its duties.