



SOUNDWILL HOLDINGS LIMITED

金朝陽集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

TERMS OF REFERENCE - AUDIT COMMITTEE

**(Adopted on 30 March 2012 and amended on 2 February 2016 and 11 January 2019
by the Board of the Company)**

1. Constitution

- 1.1 The audit committee (the “**Audit Committee**”) was formed pursuant to the resolution of the board of Director (the “**Board**”) of Soundwill Holdings Limited (the “**Company**”).
- 1.2 The terms of reference of the Audit Committee shall be reviewed and amended by the Board from time to time.

2. Membership

- 2.1 The Audit Committee consists of at least three independent non-executive directors (“**INED**” or “**INEDs**”) appointed by the Board from time to time.
- 2.2 At least one of the Audit Committee members must have appropriate professional qualification or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 2.3 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.
- 2.4 The chairman of the Audit Committee shall be appointed by the Board and shall be an INED.

3. Frequency and proceedings of meetings

- 3.1 The Audit Committee shall meet at least twice every year. Additional meetings shall be held as the work of the Audit Committee demands.
- 3.2 The quorum for the meetings of the Audit Committee shall be any two members.
- 3.3 The company secretary of the Company shall be the secretary of the Audit Committee.
- 3.4 Unless otherwise provided in these terms of reference, all of the provisions of the Bye-laws of the Company regulating meetings and proceedings of any committee of the Board shall govern the meetings and proceedings of the Audit Committee.

- 3.5 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be sent to each Audit Committee member and any other person required to attend the meeting at least 14 days before the date of the meeting. Supporting/information papers shall be sent to the Audit Committee members and to any other attendees at least 3 working days in advance of the meeting or as otherwise agreed.
- 3.6 The Company's external auditor and internal auditor and the Company's financial executives shall attend meetings of the Audit Committee on a regular basis. Executive directors, senior executives and employees may be invited to attend meetings of the Audit Committee.

4. Authority

- 4.1 The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it may require from any employee and all employees are directed to cooperate with any request made by the Audit Committee.
- 4.2 The Audit Committee shall be provided with sufficient resources to perform its duties. Where necessary, the Audit Committee or any member is authorized by the Board, after consultation with the Chairman of the Board, to obtain independent professional advice, at the Company's expenses, to perform its or their duties.

5. Duties

The duties of the Audit Committee shall include the followings:

Relationship with the Company's external auditor

- 5.1 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 the external auditor;
- 5.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.3 to develop and implement policy on the engagement of an external auditor to supply non-audit services. The fees charged for audit services and non-audit services shall be provided for information of the Audit Committee. 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 having knowledge of all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;
- 5.4 to report and make recommendations to the Board, on any matters where action or improvement is needed; and
- 5.5 to act as key representative body for overseeing the Company's relations with the external auditor;

Review of financial information

- 5.6 to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports (collectively, the "**Financial Reports**"), and to review significant financial reporting

judgements contained in them. In this regard, in reviewing the Company's Financial Reports before submission to the Board, the Audit Committee should 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.

5.7 in regard to (5.6) above:

- (a) the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the external auditor, internal auditor and the person appointed as the Company's representative responsible for accounting and financial reporting function (the "**Appointed Person**"); and
- (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the Financial Reports and it should give due consideration to any matters that have been raised by the Appointed Person, compliance officer, if any, internal auditor and/or external auditor;

5.8 to discuss any problems and reservations arising from the interim and final audits, and any matters the external auditor and/or internal auditor may wish to discuss (in the absence of management where necessary);

Oversight of the Group's financial reporting system, risk management and internal control systems

5.9 to review, at least annually, the effectiveness of risk management and internal control systems of the Company and its subsidiaries (together the "**group**");

5.10 to discuss with management and the internal auditor to ensure that management has performed its duty in the design, implementation and monitoring of the risk management and internal control systems including a review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting and internal audit function;

5.11 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;

5.12 to make recommendation to the Board on the appointment, reappointment and removal and the remuneration and terms of engagement of the internal auditor;

5.13 to review and monitor the internal auditor's function, independence and objectivity and the effectiveness of the internal auditor including:

- (a) to discuss with the internal auditor and management its annual internal audit plan; and
- (b) to review and recommend to the Board for its approval of policies, guidelines and procedures prepared and submitted by management for the group's risk management

and internal control systems.

- 5.14 to ensure co-ordination between the internal auditor and external auditor, and to ensure that the internal auditor is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness including:
- (a) management's endorsement on the annual internal audit plan and any findings as reported by the internal auditor's report on its analysis and independent appraisal of the effectiveness and adequacy of the group's risk management and internal control systems;
 - (b) management's provision of necessary information relating to new risk areas including both business and operational to be reflected in the annual internal audit plan;
 - (c) setting up meetings with external auditor and internal auditor to discuss the above issues and other accounting, financial controls and policies related matters; and
 - (d) recommendations by the internal auditor for management's action to be reported to the Board.
- 5.15 to review the group's revised and new financial and accounting policies and practices as requested by management;
- 5.16 to review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and any management's response;
- 5.17 to ensure that the Board will provide a timely response to the matters/issues raised in the external auditor's management letter;
- 5.18 to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangement in place for the fair and independent investigation of such matters and for appropriate follow-up action by the Board; and

Others

- 5.19 to consider other matters, as defined or assigned by the Board from time to time.

6. Reporting Procedures

- 6.1 Full minutes of Audit Committee meetings should be kept by the secretary of the meeting. The secretary shall circulate the draft and final versions of the minutes of meetings to all Audit Committee members for their comments and records within a reasonable time after the meeting.