

CHERVON 泉峰®

Chervon Holdings Limited

泉峰控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2285)

**Terms of Reference of
the Audit Committee
of the Board of the Company**

Adopted on December 8, 2021

DEFINITIONS

In these terms of reference, unless the context otherwise requires, the following terms have the meanings set out below:

“Board”	means the Board of Directors of the Company;
“Committee”	means the Audit Committee of the Board of the Company;
“Company”	means Chervon Holdings Limited;
“Directors”	means the directors of the Company, and “Director” means any one of them;
“Group”	means the Company and its subsidiaries;
“Independent Non-executive Directors”	means non-executive Directors meeting the requirements of independence set out in the Listing Rules, and “Independent Non-executive Director” means any one of them;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
“senior management”	means the persons referred to in the Company’s corporate communications as senior management from time to time; and
“Shareholders”	means the shareholders of the Company from time to time.

Members

1. The Committee shall comprise not less than three Directors, all of whom shall be non-executive Directors and the majority of whom shall be Independent Non-executive Directors. At least one of the Committee members shall be an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.
2. A former partner of the Company's auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later.
3. The chairperson of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director.
4. The secretary of the Committee shall be the Company's company secretary or any person designated as such by the Committee from time to time.

Proceedings

5. The quorum for meetings of the Committee shall be any two of its members.
6. The chairperson of the Committee may convene meetings at his discretion, but in any event meetings of the Committee are to be held not less than two times every year, or at such frequency as required under the Listing Rules or other regulatory requirements applicable to the Company from time to time. In addition, the Company's external auditors may request a meeting of the Committee if they consider that is necessary.
7. The Chief Financial Officer of the Company, and a representative of the Company's external auditors shall normally attend meetings of the Committee. However, at least once a year the Committee shall meet with the external and internal auditors without executive Directors present.

Annual general meetings

8. The chairperson of the Committee (or in his/her absence, his/her duly appointed delegate) shall attend the Company's annual general meetings and be prepared to respond to any Shareholders' questions on the Committee's activities.

Authority

9. The Committee is authorized by the Board to investigate into any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
10. The Committee shall be provided with sufficient resources to perform its duties and is authorized by the Board to obtain outside legal or other independent professional advice at the Company's expense and to secure the attendance of any person with relevant experience and expertise at Committee meeting as it considers appropriate.

Duties

11. The duties of the Committee are:
 - 11.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of their resignation or dismissal;
 - 11.2 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
 - 11.3 to develop and implement policy on engaging external auditors 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
 - 11.4 to monitor 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 judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - 11.4.1 any changes in accounting policies and practices;
 - 11.4.2 major judgmental areas;
 - 11.4.3 significant adjustments resulting from audit;
 - 11.4.4 the going concern assumptions and any qualifications;
 - 11.4.5 compliance with accounting standards; and
 - 11.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;
 - 11.5 regarding paragraph 11.4 above:
 - 11.5.1 members of the Committee should liaise with the Board and the Company's senior management and the Committee must meet, at least twice a year, with the Company's external auditors; and
 - 11.5.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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 auditors;

- 11.6 to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- 11.7 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;
- 11.8 to consider major investigation 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;
- 11.9 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;
- 11.10 to review the Group's financial and accounting policies and practices;
- 11.11 to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- 11.12 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- 11.13 to report to the Board on the matters included under the heading "Audit Committee" in Appendix 14 to the Listing Rules;
- 11.14 to provide a statement explaining its recommendations to the Company and also the reason(s) why the Board has taken a different view for inclusion in the corporate governance report issued by the Company in accordance with Appendix 14 of the Listing Rules, in the event the Board disagrees with the Committee on the selection, appointment, resignation or dismissal of the external auditors;
- 11.15 to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 11.16 to act as the key representative body for overseeing the Company's relations with the external auditors;
- 11.17 to establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company; and
- 11.18 to consider other matters as referred to the Committee by the Board.

Miscellaneous

12. Minutes of meetings of the Committee shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed and shall be kept by the secretary to the meetings of the Committee and the Company's company secretary and shall be open for inspection at any reasonable time on reasonable notice by any Director. The secretary to any meeting of the Committee shall circulate the minutes of the meeting of the Committee for which he has acted as secretary in draft and final forms to all members of the Committee within a reasonable time after such meeting is held.
13. The Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.
14. The Committee shall make available these terms of reference by inclusion on the websites of the Company and The Stock Exchange of Hong Kong Limited in order to explain its role and the authority delegated to it by the Board.