



PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8066)

("the Company")

Terms of Reference of Audit Committee

1. Constitution

- 1.1 An audit committee ("Audit Committee") was established pursuant to a resolution of the board ("Board") of directors of the Company ("Directors") on December 2001.
- 1.2 To cater for the new listing rules of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on corporate governance, these new terms of reference were resolved and adopted by the Board on 23 March 2012 and revised on 1 January 2016 and 1 January 2019 respectively.

2. Membership

- 2.1 The Audit Committee shall only comprise of non-executive Directors.
- 2.2 The Audit Committee shall comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualification or accounting or related financial management expertise. The majority of the Audit Committee members must be independent non-executive Directors.
- 2.3 The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.
- 2.4 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 commencing on the date of the person ceasing: (a) to be a partner of the audit firm; or (b) to have any financial interest in the firm, whichever is the later.

3. Attendance at meetings

- 3.1 The financial controller of the Company, representative from the person with accounting / finance function and a representative of the external auditors shall attend the meetings. Other members of the Board shall also have the right of attendance.
- 3.2 The company secretary or his/ her nominee shall act as the secretary of the Audit Committee.

3.3 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

4. Meetings

4.1 The Audit Committee should meet at least four times a year. Additional meetings should be held as the work of the Audit Committee demands. The external auditors may also request a meeting with the Audit Committee if they consider that one is necessary.

4.2 At least twice a year, the Audit Committee should meet with external auditors without the executive Board members present.

5. Minutes of Meetings

5.1 Full minutes of Audit Committee meetings shall be kept by the secretary of the Audit Committee and such minutes should be circulated to all members of the Board and be opened for inspection at any reasonable time on reasonable notice by any Director.

5.2 Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting.

5.3 Minutes of the Audit Committee should record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed.

6. Authority

6.1 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Audit Committee is also authorised to have full and unlimited access to all books and accounts of the Company it requires. Management shall be obliged to supply to the Audit Committee with adequate information in a timely manner to enable it to make informed decisions. The information supplied must be complete and reliable.

6.2 The Audit Committee is authorised by the Board to obtain, at the Company's expenses, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6.3 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

6.4 The Audit Committee should be provided with sufficient resources to discharge its duties.

7. Duties

Duties of the Committee shall be:

- 7.1 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 its resignation or dismissal;
- 7.2 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 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;
- 7.3 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;
- 7.4 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 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 other legal requirements in relation to financial reporting;
- 7.5 Regarding 7.4 above:-
 - (i) members of the Audit Committee should liaise with the Board, 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 qualified accountant, compliance officer or auditors;
- 7.6 to discuss problems and reservations arising from the quarterly, interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);

- 7.7 to make recommendation to the Board any appropriate extensions or changes in the duties of the Audit Committee;
- 7.8 to review and supervise the Company's financial controls, risk management and internal control systems;
- 7.9 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 adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 7.10 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;
- 7.11 to review the findings of internal investigations into any suspected frauds or irregularities or failures of internal controls or infringement of laws, rules and regulations, of significance;
- 7.12 where an internal audit function exists, 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 its effectiveness;
- 7.13 to review the group's financial and accounting policies and practices;
- 7.14 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;
- 7.15 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 7.16 to report to the Board, at least annually, on the matters set out in this code provision and the work and findings of the Audit Committee during the year;
- 7.17 to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- 7.18 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action;
- 7.19 to act as the key representative body for overseeing the Company's relations with the external auditor; and
- 7.20 to consider other topics, as defined by the Board.

8. Reporting Responsibilities

- 8.1 The Audit Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the chairman of the Audit Committee shall report the findings, decisions and recommendation of the Audit Committee to the Board.
- 8.2 The chairman of the Audit Committee or in the absence of the chairman of the Audit Committee, a member of the Audit Committee, or failing this his duly appointed delegate, shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions.

9 Publication of the terms of reference

- 9.1 The terms of reference will be posted on the website of the Exchange and the Company. A copy of the terms of reference will be made available to any person without charges upon request.