

**EAGLE LEGEND ASIA LIMITED**

**鵬程亞洲有限公司**

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

**(Stock Code: 936)**

**Terms of Reference of Audit Committee (Revised)**

Adoption Date: 25 June 2010

Revised Date: 27 March 2012, 31 December 2015, 22 March 2017 & 24 December 2018

**1. Constitution**

1.1 The board (the “**Board**”) of directors (the “**Directors**”) of Eagle Legend Asia Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) resolved to establish an audit committee (the “**Committee**”) on 25 June 2010.

**2. Membership**

2.1 The members of the Committee (the “**Members**”) shall be appointed by the Board from amongst the non-executive Directors.

2.2 The Committee shall comprise a minimum of three Members, at least one of whom must be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the Members must be independent non-executive Directors.

2.3 The chairman of the Committee (the “**Committee Chairman**”) 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 for a period of 2 years commencing on 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 the later.

**3. Attendance at meetings**

3.1 The Members, the chief financial officer/financial controller of the Company and representatives of the external auditors shall normally attend the meetings. Other members of the Board and members of the staff with specific responsibility for the area under review by the Committee may have the right of attendance at the Committee’s invitation. Only the Members are entitled to vote at the Committee meetings.

- 3.2 The company secretary of the Company shall act as the secretary of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

#### **4 Meetings**

- 4.1 The Committee should meet at least twice each year. Additional meetings should be held as the work of the Committee demands. The external auditors may also request a meeting of the Committee be held if they consider it necessary or desirable.
- 4.2 The quorum of the Committee meeting shall be any two Members.
- 4.3 At least once a year, the Committee should meet with external and internal auditors without any executive Director being present.

#### **5. Notice of Meetings**

- 5.1 The notice of the Committee meetings shall be given to each committee member by the Committee Chairman and/or the company secretary of the Company.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each Member and any other person required to attend at least 7 days before the date of the meeting. Supporting papers shall be sent in full to the Members and to other attendees as appropriate at least 3 clear days in advance of the meeting.
- 5.3 Any Member may request for meetings by giving to the Committee Chairman of not less than 14 days' notice in writing.

#### **6. Written Resolutions**

- 6.1 Written resolution passed by all Members shall be valid and effectual.

#### **7. Minutes of Meetings**

- 7.1 Full minutes of the Committee meetings shall be kept by the secretary of the Committee.
- 7.2 Draft and final versions of minutes of the Committee meetings should be sent to the Members for their comment and records respectively, in both cases within a reasonable time after the meeting.
- 7.3 Minutes of the Committee meetings should record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by any Member or dissenting views expressed.

## **8. Authority**

- 8.1 The 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 of the Group and all employees of the Group (including members of the Board) are directed to co-operate with any request made by the Committee. The Committee is also authorised to inspect all books and accounts of the Company. The management shall be obliged to furnish information on any matter relating to the financial position of the Group to the Committee in a timely manner to enable it to make informed decisions.
- 8.2 The Committee is authorised by the Board to obtain, at the Company's expenses, outside legal or other independent professional advice.
- 8.3 The Committee shall be provided with sufficient resources to perform its duties.

## **9. Duties**

- 9.1 The Committee shall:

### *Relationship with the Company's auditors*

- 9.1.1 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 that auditor;
- 9.1.2 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 9.1.3 develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall 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 having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- 9.1.4 act as the key representative body for overseeing the Company's relation with the external auditor;

*Review of financial information of the Group*

- 9.1.5 monitor integrity of financial statements of the Group and the Company's annual report and accounts and half-year report, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts and half-year report before submission to the Board, the 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 Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and other legal requirements in relation to financial reporting;
- 9.1.6 In regard to 9.1.5 above:
- (i) the Members must liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer (or person occupying the same position) or auditors;
- 9.1.7 discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of the management where necessary);

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

- 9.1.8 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;
- 9.1.9 discuss with the management the risk management and internal control systems to ensure that management has performed its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- 9.1.10 consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- 9.1.11 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;
- 9.1.12 review the Group's financial and accounting policies and practices;
- 9.1.13 review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- 9.1.14 ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 9.1.15 report to the Board on the matters set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules and in the provision of these terms of reference;
- 9.1.16 review the Group's statement on internal control and risk management systems (where one is included in the annual report) prior to endorsement by the Board;
- 9.1.17 review arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and

9.1.18 consider any other duties applicable to the Committee as specified in the Listing Rules (including the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules) or as delegated to the Committee by the Board from time to time.

## **10. Reporting Responsibilities**

10.1 The Committee shall report to the Board the findings, decisions and recommendation of the Committee after each meeting.

10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **11. Annual General Meeting**

11.1 The Committee Chairman or in his/her absence, another Member (who must be an independent non-executive Director) shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.