



Dragon Crown Group Holdings Limited
龍翔集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 935)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

(Adopted by the Company pursuant to the Board resolution passed on 20 December 2018)

1. MEMBERSHIP

- 1.1 Members of Audit Committee shall be appointed by the board of directors (the “Board”) of the Company.
- 1.2 The Audit Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The members shall be appointed from amongst the non-executive Directors of the Company. The majority of the members of the Audit Committee must be independent non-executive directors (“INEDs”), at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- 1.4 A former partner of the Company’s existing auditing firm shall not act as a member of the Audit Committee until two years after the commencement of the later of the date of his ceasing to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.
- 1.5 The term of each appointment to the members of the Audit Committee shall be determined by the Board upon appointment.

2. CHAIRMAN

- 2.1 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.

3. SECRETARY

- 3.1 The company secretary shall be the secretary of the Audit Committee. In the absence of the company secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee, shall attend the meeting of the Audit Committee and take minutes.

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

4. PROCEEDINGS OF THE AUDIT COMMITTEE

Unless otherwise specified hereunder, the provisions contained in the Company's Articles of Association (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

4.1 Quorum

4.1.1 The quorum for meetings of the Audit Committee shall be any two members, one of them should be an INED.

4.2 Frequency of meetings

4.2.1 The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.

4.2.2 The Audit Committee shall meet with the external auditors at least twice a year without executive Board members present (except those invited by the Audit Committee). The external auditors may request a meeting if they consider necessary.

4.3 Attendance at meetings

4.3.1 Members of the Audit Committee may attend meetings of the Audit Committee either in person, by telephone or through other electronic means of communication or in such other manner as the members may agree.

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

4.3.3 Only the members shall have the voting powers.

4.4 Notice of meetings

4.4.1 A meeting of the Audit Committee may be convened by any of its members or by the company secretary.

4.4.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be sent to each member of the Audit Committee, and to any other person required to attend in relation to all regular meetings of the Audit Committee, at least 14 days before the date of the meeting; in relation to continued meetings held within 14 days, no prior notice is required.

4.4.3 Agenda and accompanying supporting papers shall be sent to all members of the Audit Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

4.5 Minutes of meetings

4.5.1 Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comment 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.

4.5.2 Minutes of the Audit Committee shall be kept by the company secretary and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.

4.6 Written resolutions

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

4.6.2 Without prejudice to any requirement under the Listing Rules, written resolution may be passed and adopted by all members of the Audit Committee.

5. RESPONSIBILITIES AND AUTHORITIES OF THE AUDIT COMMITTEE

5.1 The responsibilities and authorities of the Audit Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules (as amended from time to time).

5.2 Without prejudice to any requirement under the CG Code, the duties of the Audit Committee include the following:

5.2.1 Relationships with the Company’s auditors

(a) To act as the key representative body for overseeing the Company’s relation with the external auditor, and 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 to consider any questions of their resignation or dismissal.

(b) To review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standard, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

- (c) 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.

5.2.2 Review of the Company’s financial information

- (d) 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 judgments 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 Listing Rules and legal requirements in relation to financial reporting.
- (e) Regarding (d) above:
 - (i) members of the Audit Committee should liaise with the Board, senior management and the qualified accountant of the Company and the Audit Committee must meet, at least twice a year, with the Company’s 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 staff responsible for the accounting and financial reporting function, compliance officer or auditors.

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

- (f) 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.
- (g) 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.
- (h) 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.
- (i) 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.
- (j) To review the group's financial and accounting policies and practices.
- (k) 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.
- (l) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- (m) To report to the Board on the matters set out herein.
- (n) To consider other topics, as defined by the Board.
- (o) 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, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

6. REPORTING RESPONSIBILITIES

6.1 After each meeting, the Audit Committee shall report formally to the Board on all matters within its duties and responsibilities.

7. ANNUAL GENERAL MEETING

7.1 The chairman of the Audit Committee or in his absence, another member (who must be an independent non-executive director) of the Audit Committee or failing this, his duly appointed delegate, shall attend the Annual General Meeting of the Company and be prepared to respond to questions at the Annual General Meeting on the Audit Committee's work and responsibilities.

8. AUTHORITY

8.1 The Audit Committee is authorized by the Board to investigate any financial information and records of the Company.

8.2 The Audit Committee is authorized by the Board when necessary to seek any financial information it requires from any employee of the Company and its subsidiaries, to require any of them to prepare and supply financial information and answer questions raised by the Committee.

8.3 The Audit Committee is authorized by the Board when necessary to obtain outside legal or other independent professional advice in connection with its duties at the Company's expense.

Note: All such arrangements of obtaining outside legal or other independent professional advice may be made by the company secretary.

8.4 The Audit Committee shall 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 risk management and internal control systems of the Group, and as to the adequacy of the external and internal audits.

8.5 The Audit Committee shall have access to sufficient resources in order to discharge its duties.

“Senior management” refers to the same category of persons as referred to in the Company's annual report. It is the responsibility of the directors of the Company to determine which individual or individuals constitute senior management. Senior management may include directors of subsidiaries, heads of divisions, departments or other operating units within the group as, in the opinion of the directors, is appropriate.

Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.