



China Jicheng Holdings Limited
中國集成控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1027)

**TERMS OF REFERENCE OF
THE AUDIT COMMITTEE**

(the “Committee”)

(Effective from 1 January 2019)

Constitution

1. The Board resolved to establish a committee of the Board known as the Audit Committee.

Membership

2. The Audit Committee shall be appointed by the Board from amongst the independent non-executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive Directors.
3. At least one of the members is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.
4. A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Audit Committee for a period of two years from the date of his ceasing:–
 - (a) to be a partner of the auditing firm; or
 - (b) to have any financial interest in the auditing firm, whichever is later.
5. The chairman of the Audit Committee shall be appointed by the Board and should be an independent non-executive Director.
6. The term of office of a member of the Audit Committee shall be determined by the Board.

Attendance at meetings

7. The financial controller, the head of internal audit of the Company and representatives of the external auditors shall normally attend meetings. At least twice a year the Audit Committee shall meet with the external auditors without executive Board members present.

Frequency of meeting

8. Meetings shall be held not less than two times a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

9. 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 requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
10. The Audit Committee is authorized by the Board, at the expenses of the Company, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

11. The duties of the Audit Committee shall be:

Relationship with external auditor

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and the terms of engagement of the external auditor; and any questions of its 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 HKFRSs and the Group's accounting policies. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and to ensure co-ordination where more than one audit firm is involved;
- (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;
- (d) discussing with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations; discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss.

Review of financial information

- (e) to monitor integrity of the Company's financial statements and annual report and accounts and interim report, 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:–
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental 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;
- (f) Regarding (e) above:–
 - (i) members of the committee should liaise with the Board and senior management and the committee must meet with the auditors at least twice a year, in the absence of management where necessary, to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss; and
 - (ii) 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 Group's staff responsible for the accounting and financial reporting function or auditors;

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

- (f) to review the Company's financial controls, and risk management and internal control systems;
- (g) to discuss the risk management and internal control system with management to ensure that management has performed its duty to effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group'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 Group, 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 in paragraph C.3.3 of the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) and
- (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 matter. 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; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.
- (q) reviewing the annual internal audit plan and discuss with the internal auditors, or the external professionals engaged, any significant findings and recommendations arising from the internal audit activities.

Procedures

12. The Company Secretary shall be the secretary of the Audit Committee. The secretary shall circulate the draft and final versions of the minutes of meetings and reports of the Audit Committee to all committee members for comments and records within a reasonable time after each meeting. The chairman shall report in the forthcoming Regular Board Meeting any key decisions made. The chairman, in consultation with the person-in-charge of the Group's accounting and financial reporting function and the secretary of the Audit Committee, should be primarily responsible for drawing up and approving the agenda of each Audit Committee meeting. The chairman, with the assistance of the person-in-charge of the Group's accounting and financial reporting function, shall ensure that all members shall have sufficient information in a timely manner to enable effective discussion at an Audit Committee meeting and be briefed of the issues arising at each Audit Committee meeting. The secretary shall record minutes of all duly constituted meetings of the Audit Committee. The minutes shall be available for inspection at any reasonable time on reasonable notice by any directors. All minutes shall record in sufficient detail the matters considered, decisions reached or recommendations made and any concerns raised by any member, the external auditor including dissenting views of any member.

Review of terms

13. The Audit Committee shall review these terms of references usually, and may consider and submit to the Board any proposed changes that the Audit Committee deems appropriate or advisable.

The Chinese version of this document is for reference only. In case of any discrepancy or inconsistency between the English version and Chinese version, the English version prevails.