



Fu Shek Financial Holdings Limited

富石金融控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 2263

(the “Company”)

**TERMS OF REFERENCE FOR THE AUDIT COMMITTEE
(THE “COMMITTEE”)**

(Adopted by the Company on 22 January 2020)

1. MEMBERSHIP

- 1.1 Members of the Committee shall be appointed by the board (the “**Board**”) of directors of the Company (the “**Directors**”).
- 1.2 The Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the members of the Committee must be independent non-executive directors (the “**INEDs**”) of the Company, at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 1.4 The term of each Committee member shall be the same as his/her term as a Director. Subject to the constitutions of the Company and the applicable laws and regulations, any member of the Committee may be re-appointed to the Board and continue to act as a member of the Committee upon expiry of his/her term of appointment relating thereof.
- 1.5 A member of the Committee who ceases to be a member of the Board shall immediately and automatically cease to be a member of the Committee and the Board shall fill the vacancy according to clause 1.1.
- 1.6 A former partner of the Company’s existing auditing firm (the “**Firm**”) should be prohibited from acting as a member of the Committee for a period of two years from 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 later.

1.7 Members of the Committee shall:

- (i) be familiar with the operation and management of the Company and the relevant laws and regulations applicable to the Company;
- (ii) act in good faith, be honest, self-disciplined and devoted to his duties, and work proactively to safeguard the interests and rights of the Company and its shareholders; and
- (iii) have appropriate and relevant knowledge, expertise and experience in the business, financial and/or accounting sector.

1.8 The administration office of the Committee shall be the administration office of the Board. The administration office of the Board shall be responsible for the day-to-day affairs of Committee.

2. CHAIRMAN

2.1 The chairman of the Committee shall be appointed by the Board and must be an INED. In the absence of such chairman, the remaining members of the Committee present shall choose one of their members who is an INED to act as chairman to chair the meeting.

2.2 The chairman of the Committee shall:

- (i) convene and chair Committee meetings;
- (ii) review and sign the Committee report;
- (iii) review the implementation status of resolutions of the Committee;
- (iv) on behalf of the Committee report to the Board its work; and
- (v) carry out other duties undertaken by a chairman of the Committee.

3. SECRETARY

The company secretary (the “**Company Secretary**”) of the Company shall be the secretary of the 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 Committee, shall attend the meeting of the Committee and take minutes.

4. PROCEEDINGS OF THE COMMITTEE

4.1 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 Committee.

4.2 Resolutions of the Committee shall be passed by a majority of votes of the members of the Committee who attend the meeting and a majority vote of the members present shall represent an act of the Committee.

4.3 Quorum

4.3.1 The quorum for meetings of the Committee shall be two members, at least one of whom shall be INED.

4.3.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4.4 Frequency of meetings

4.4.1 The 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 Committee may be held as and when required.

4.4.2 The Committee shall meet with the external auditors at least twice a year. The external auditors or any members of the Committee may request a meeting if they consider necessary.

4.5 Attendance at meetings

4.5.1 Members of the Committee may attend meetings of the Committee either in person or through other electronic means of communication or in such other manner as the members may agree.

4.5.2 The financial controller, other directors, Company Secretary (or his/her delegate(s)), relevant senior management and persons(s) invited by an Committee member and representative(s) of the external auditors may attend meetings of the Committee from time to time where the Committee considers their presence necessary or appropriate to assist the Committee to perform its duties.

4.5.3 The Committee shall meet at least once a year with the internal and/or external auditors of the Company without the presence of the executive director(s) or senior management of the Company whenever they think fit and appropriate.

4.6 Notice of meetings

4.6.1 A meeting of the Committee may be convened by any of its members through the Company Secretary.

4.6.2 Unless otherwise agreed by all the members of the Committee, notice (containing details of the venue, time and date of the meeting) of at least 14 days shall be given for a regular meeting of the Committee. For all other meetings of the Committee, reasonable notice shall be given.

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

4.7 Minutes of meetings

4.7.1 Minutes shall record matters considered and decisions reached by the members of the Committee in detail, including any doubt or disagreement raised by members of the Committee.

4.7.2 Draft and final versions of minutes of Committee meetings shall be sent to all Committee members for their comment and records within a reasonable time after the meeting.

4.7.3 Full minutes of the Committee meetings shall be kept by the Company Secretary and shall be available for inspection by any member of the Committee or the Board at any reasonable time on reasonable notice.

4.8 Written resolutions

4.8.1 Without prejudice to any requirement under the Listing Rules including but not limited to the requirement to hold meetings at least twice a year, written resolution may be passed and adopted by all members of the Committee.

4.8.2 A resolution in writing signed by all the members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

5. RESPONSIBILITIES AND AUTHORITIES OF THE COMMITTEE

5.1 The responsibilities and authorities of the 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). The Committee is authorised to seek any information it requests from any employee and all employees are directed to co-operate with any request made by the Committee.

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

Relationships with the Company's auditors

- (a) to act as the key representative body for overseeing the Company's relations with the external auditor, and 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 terms of engagement of the external auditor, and to consider any questions of its resignation or dismissal;
- (b) to review with the Company's management, external auditors and internal auditor, where an internal audit function exists in the Company, the adequacy of the Company's policies and system regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the directors of the Company to be included in the annual accounts prior to endorsement by the Board;
- (c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable accounting standards, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to develop and implement policy on engaging an external auditor to provide 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;
- (e) to seek from the external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- (f) to evaluate the cooperation received by the external auditors, including their access to all requested records, data and information; obtain the comments of management of the Company regarding the responsiveness of the external auditors to the Group's needs; inquire of the external auditors as to whether there have been any disagreements with management of the Company which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;

Review of the Company's financial information

- (g) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments 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 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;
- (h) Regarding to (d) above:
 - (i) members of the Committee should liaise with the Board and the senior management of the Company 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 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;

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

- (i) 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;
- (j) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have risk management and 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;

- (k) 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;
- (l) 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;
- (m) to review the Company and its subsidiaries' financial and accounting policies and practices;
- (n) to discuss with the external auditors any recommendations arising from the audit (if necessary in the absence of management of the Company); and 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;
- (o) to ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity;
- (p) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (q) to consider other topics, as defined by the Board;
- (r) 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;
- (s) to act as the key representative body for overseeing the Company's relations with the external auditor; and
- (t) to report to the Board on the matters set out above.

5.3 The Committee shall be provided with sufficient resources to perform its duties and shall seek, at the Company's expense, independent professional advice to perform its responsibilities where necessary.

5.4 All members of the Committee shall have access to the advice and services of the Company Secretary, and separate and independent access to the Company's senior management for obtaining necessary information.

5.5 Management of the Company is obliged to supply the Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a member of the Committee requires more information than information provided voluntarily by the management of the Company, the relevant member of the Committee should make additional necessary enquiries. Each member of the Committee shall have separate and independent access to the management of the Company.

6. REPORTING RESPONSIBILITIES

6.1 The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

6.2 Where the Board disagrees with the 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 Committee explaining its recommendations and also the reason(s) why the Board has taken a different view.

7. ANNUAL GENERAL MEETING

The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the annual general meeting (the “**Annual General Meeting**”) of the Company and be prepared to respond to questions at the Annual General Meeting on the Committee's work and responsibilities.

8. AMENDMENTS TO TERMS AND AVAILABILITY OF TERMS

8.1 The Committee shall, from time to time, review its own performance, constitution and terms of reference to ensure that it is operating effectively, and recommend any changes it considers to the Board for approval.

8.2 The terms may be reviewed by the Board from time to time taking into consideration the operations of the Committee and its contribution to the corporate governance of the Company, as well as any amendments to the Listing Rules from time to time.

8.3 The Committee shall make available these terms by publishing them on the websites of the Stock Exchange of Hong Kong Limited and the Company.

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

For the purpose of these Terms of Reference, “senior management” means the same persons as referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules, as such rule may be amended from time to time.