



## ENM HOLDINGS LIMITED

### 安寧控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00128)**

## TERMS OF REFERENCE OF AUDIT COMMITTEE

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### **Membership**

1. The Audit Committee (the “Committee”) shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the Committee members shall be independent non-executive directors.
2. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.

### **Attendance at meetings**

3. The Chief Financial Officer, a representative of the Internal Audit function, and a representative of external auditors shall normally attend meetings. Other Board members may attend meetings by request or invitation.
4. The company secretary shall be the secretary of the Committee.

### **Frequency and Proceedings of meetings**

5. Meetings shall be held not less than twice a year. A member of the Committee or the external auditors may request a meeting if they consider that one is necessary.
6. The quorum of a meeting shall be two members of the Committee.
7. Questions arising at any meetings of the Committee shall be decided by a majority of votes of the members present and, in case of an equality of votes, the chairman of a meeting shall have a second or casting vote.
8. The meetings and proceedings of the Committee are governed by the provisions of the Articles of Association of the Company for regulating the meetings and proceedings of the Directors.

## **Annual General Meeting**

9. The Chairman of the Committee should, as far as practicable, attend the Annual General Meeting of the Company and make himself/herself available to respond to any shareholder questions on the Committee's activities.

## **Authority**

10. 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 and all employees are directed to co-operate with any request made by the Committee.
11. The Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
12. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee should issue a statement explaining its recommendation and also the reason(s) why the Board has taken a different view to be included in the Corporate Governance Report in the Company's Annual Report.
13. The Committee is to be provided with sufficient resources to discharge its duties.

## **Duties**

14. The duties of the Committee shall include:
  - (A) Management of external auditors
    - (a) 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 response to any questions relating to the resignation or dismissal of that auditor;
    - (b) to 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 commencement of the annual audit. The Committee shall meet the external auditors, where appropriate, without management being present, to discuss their audit fees and any issues arising from the audit;
    - (c) to 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;

- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

(B) Review of financial information

- (a) to monitor integrity of financial statements of the Company and the Company's 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 this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly 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 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;

- (b) In regard to (a) above:

- (i) members of the Committee must liaise with the Company's 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 Company's staff responsible for the accounting and financial reporting function, compliance officer, external auditor or Internal Audit function;

(C) Oversight of Financial Reporting System, Risk Management and Internal Control Systems

- (a) to review the Company's financial controls, and risk management and internal control systems;

- (b) to discuss with management the risk management and internal control systems and ensure that management has discharged 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 programs and budget;
- (c) 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;
- (d) where an internal audit function exists, to ensure there is 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 the effectiveness of the internal audit function, including the following responsibilities:
  - (i) Approve the internal audit charter;
  - (ii) Approve the internal audit plan;
  - (iii) Receive communications from the Internal Audit function on any significant findings and recommendations arising from the internal audit activities, and review management's responses to the findings and recommendations;
  - (iv) Approve the internal audit budget and resource plan; and
  - (v) Approve decisions regarding the appointment and removal of key personnel of the Internal Audit function;
- (e) where no Internal Audit function exists, the Committee shall annually consider whether it is necessary to establish the function and make a recommendation to the Board for the appointment of Internal Auditors. The reasons for the absence of Internal Audit function shall be disclosed in the Corporate Governance Report or in the relevant section of the Group's annual report;
- (f) to review the Group's financial and accounting policies and practices;
- (g) to 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;
- (h) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(D) Monitoring of Whistleblowing Policy

- (a) to monitor the effectiveness of the whistleblowing policy and system for employees and other stakeholders who deal with the Company to raise concerns, in confidence and anonymity, about possible improprieties in any matter relating to the Company's business operations, including but not limited to improprieties in business conducts, financial reporting, internal control and audit matters;

- (b) to ensure that proper arrangements are in place for fair and independent investigation of these improprieties and to conduct appropriate follow-up action;

(E) General

- (a) to report to the Board on the matters pertaining to the Committee's responsibilities as set out in the provisions under Part 2 of the Corporate Governance Code in Appendix C1 to the Listing Rules;
- (b) to engage in any other activities consistent with the Committee's objectives and responsibilities and to consider other topics, as defined by the Board; and
- (c) to review the Terms of Reference of the Committee periodically.

**Reporting procedures**

15. The Committee shall report to the Board on a regular basis. At the next Board meeting following a meeting of the Committee, the Chairman of the Committee shall report the work, decisions and recommendations of the Committee to the Board.