

**GOLDEN FAITH GROUP HOLDINGS LIMITED**  
**(the “Company”)**

**TERMS OF REFERENCE AND MODUS OPERANDI OF THE**  
**AUDIT COMMITTEE**  
**(the “Committee”)**

These terms of reference and modus operandi of the Committee of the Company (together with its subsidiaries, the “**Group**”) have been prepared based on the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**” and the “**Exchange**”, respectively).

**Membership**

1. The Committee shall consist of not less than three (3) members appointed by the board of directors of the Company (the “**Director(s)**” or “**Board**”), at least one (1) of whom shall be 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, and a majority of whom shall be independent non-executive directors.
2. The chairman of the Committee shall be appointed by the Board, and be an independent non-executive director.
3. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of one (1) year from the date of his ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.
4. Subject to Rules 1, 2 and 3 above, the Board shall be entitled to, from time to time, at their discretion, change the composition of the members of the Committee.

**Secretary**

5. The Committee shall be entitled to appoint the company secretary of the Company or any other person with appropriate qualification and experience as the secretary of the Committee. Full minutes of the meetings should be kept by the secretary.

**Frequency and proceedings of meetings**

6. The Committee shall meet at least four (4) times per year. The Committee shall meet, at least twice a year, with the external auditors to discuss matters relating to the audit and any other related issues. Additional meetings shall be held as the work of the Committee demands.
7. In addition, the chairman of the Committee shall be entitled to convene additional meetings at his discretion.
8. The external auditor or any members of the Committee shall be entitled to request a meeting if they consider that one is necessary and upon the receipt of such a request, the secretary of the Committee shall convene such a meeting as soon as reasonably practicable and having regard to the convenience of all members with priority given to the independent non-executive directors.

9. The Committee shall be entitled to hold separate private meeting(s) with the internal auditor and/or the external auditor, with no Executive Directors or senior management present whenever they think fit and appropriate.
10. The quorum for a meeting shall be any two (2) members who must be independent non-executive directors.
11. The Committee members could attend the meetings in person, by telephone or by video conference.
12. Resolutions of the Committee shall be passed by more than half of the members of the Committee.
13. A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
14. Unless otherwise stated herein, proceedings of meetings of the Committee shall be governed by the provisions of the Articles of Association of the Company.

### **Authority**

15. The Committee is granted the authority to investigate any activity within its terms of reference, and all employees are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain external legal or other independent professional advice, and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
16. The head of internal audit (if appointed) shall report to the Committee in the manner specified by the Committee.
17. All members of the Committee can have access to the advice and services of the secretary who is responsible to the Committee for ensuring that procedures of the Committee, and all applicable rules and regulations, are followed.
18. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention, and are of sufficient importance to warrant the attention of the Board.
19. In the event that the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee shall arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view, and the reasons why the Board has taken a different view.
20. The Committee shall be provided with sufficient resources to discharge its duties.

### **Responsibility**

21. The Committee shall serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, internal controls, external and internal audits, and such other matters as the Board determines from time to time.

22. The Committee shall assist the Board in fulfilling its responsibilities by providing an independent review, supervision and oversight of the completeness, accuracy and fairness of financial reporting, adequacy of internal control and risk management systems, of the independence of the external auditor and of the performance of the internal audit and compliance function of the Group.

### **Duties, powers and functions**

23. The Committee shall:-

- (a) be responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;
- (c) have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (d) before audit commencement, review external auditor's independence, objectivity, effectiveness of the audit process and the scope of the external audit, including the engagement letter. The Committee shall understand the factors considered by the external auditor in determining their audit scope. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. The external audit fees shall be negotiated by management, and presented to the Committee for review and approval annually;
- (e) 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (f) 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 Committee shall focus particularly on the following:-
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;

- (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting and auditing standards; and
  - (vi) compliance with the Listing Rule and legal requirements;
- (g) with regard to (f) above, members of the Committee:-
- (i) shall liaise with the Board and senior management, and meet, at least twice a year, with the Company's appointed external auditor; and
  - (ii) shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and 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, the head of internal audit (if appointed) or auditor;
- (h) review the draft representation letter prior to approval by the Board;
- (i) review the group's financial and accounting policies and practices;
- (j) evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; inquire of the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (k) seek from the external auditor, 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;
- (l) discuss with the external auditor about any recommendations arising from the audit (if necessary, in the absence of management), the reviewing of the draft management letter, and any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;
- (m) 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, and to ensure that the Board shall provide a timely response to issues raised in the external auditor's management letter;
- (n) review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group (*the engagement of the external auditor to perform non-audit services is in general prohibited except for tax-related services. In the event that a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, the prior approval of the Committee is required*);

- (o) 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;
- (p) 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;
- (q) discuss with management the scope and quality of the Company's systems of risk management and internal control in order to ensure that management has discharged its duties in such regard. Such discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (r) apprise the Board of significant developments in the course of performing the above duties;
- (s) recommend to the Board any appropriate extensions to, or changes in, the duties of the Committee;
- (t) review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- (u) agree with the Board as to the Company's policy relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee shall consider whether, as a result of such hiring, there has been any impairment of the auditor's judgment or independence in respect of an audit;
- (v) review arrangements by which employees, in confidence, can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action;
- (w) act as the key representative body for overseeing the Company's relations with the external auditor;
- (x) report to the Board on above matters; and
- (y) consider other topics, as requested by the Board.

### **Reporting Procedures**

24. The Committee shall report to the Board on a regular basis, and the Committee's chairman shall report the Committee's findings and recommendations to the Board at the next meeting of the Board following a meeting of the Committee. The Committee shall, at least annually, present a report to the Board which addresses the work and findings of the Committee during the year. The Committee should identify any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

25. Full minutes and written resolutions shall be kept by the secretary of the Committee. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comments and records, within a reasonable time after the meeting. Written resolutions should be promptly sent to all Committee members for their records after the written resolutions are passed.

**Others**

26. The Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Exchange's website and the Company's website.
27. Any changes to the terms of reference shall be effective after they have been approved by the Board.

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