

---

**HENG TAI CONSUMABLES GROUP LIMITED** (the “**Company**”)  
(Incorporated in the Cayman Islands with limited liability)

**AUDIT COMMITTEE - TERMS OF REFERENCE**

Adopted on 7 November 2001

Amended on 30 June 2008, 28 February 2012, 11 August 2015 and 31 December 2018

---

**1 Constitution**

The board of directors of the Company (the “**Board**”) resolved to constitute and establish an audit committee (the “**Audit Committee**”) on 7 November 2001, with authority, responsibility, and specific duties as described below.

**2 Membership**

- 2.1 The members of the Audit Committee shall be appointed by the Board and shall consist of not less than three members comprising non-executive directors only.
- 2.2 The majority of the members of the Audit Committee shall be independent non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 2.3 The Chairman of the Audit Committee shall be appointed by Board and who must be an independent non-executive director.
- 2.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit 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.

**3 Attendance at meetings**

- 3.1 Only members of the Audit Committee have the right to attend and entitled to vote at the Audit Committee meetings. However, as necessary or desirable, the chairman of Audit Committee may invite any appropriate person, including the Chief Financial Officer of the Company, the head of internal audit (or any officer(s) assuming the relevant functions but having a different designation), the representative(s) of the external auditors to attend all or part of any meetings of the Audit Committee. Other Board members shall also have the right of attendance.
- 3.2 At least once a year the Audit Committee shall meet with the external auditors without management present to discuss matters relating to its audit fees, any issues arising from the audit and any other matters auditor may wish to raise.
- 3.3 The Company Secretary of the Company or his or her nominee shall be the Secretary of the Audit Committee attending meetings.

**4 Frequency and proceedings of meetings**

- 4.1 The Audit Committee shall meet at least twice a year to monitor integrity of the Company’s financial statements, annual report and accounts, half-year report, and to review significant financial reporting judgements contained therein.
- 4.2 The external auditors may request a meeting if they consider that one is necessary.
- 4.3 The quorum for a meeting shall be two members.

- 4.4 Meetings can be held in person, by means of such telephone, electronic or other communication facilities as permit all committee members participating in the meeting to communicate with each other simultaneously and instantaneously.
- 4.5 Written Resolutions signed by all members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- 4.6 Minutes shall be kept by the Secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable period of time after the meeting.
- 4.7 Except for provided herein, proceedings of the Audit Committee's meetings shall be governed by the provisions contained in the articles of association of the Company.

## **5 Authority**

- 5.1 The Audit Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Audit Committee. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the Audit Committee.
- 5.2 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report of the annual report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- 5.3 The Audit Committee shall be provided with sufficient resources to perform its duties.

## **6 Responsibility**

- 6.1 The Audit Committee is to 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 internal controls of the Company and its subsidiaries, and as to the adequacy of the external and internal audits.
- 6.2 The Audit Committee should serve as a focal point for communication between other directors, the external auditors, and the management as regard their duties relating to financial and other reporting, internal controls, risk management and the audits.

## **7 Duties**

The duties of the Audit Committee include:

### *Relationship with the Company's auditors*

- 7.1 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 any questions of its resignation or dismissal;
- 7.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

- 7.3 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;

*Review of the Company's financial information*

- 7.4 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 judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:-

7.4.1 any changes in accounting policies and practices;

7.4.2 major judgmental areas;

7.4.3 significant adjustments resulting from audit;

7.4.4 the going concern assumptions and any qualifications;

7.4.5 compliance with accounting standards; and

7.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;

- 7.5 Regarding paragraph 7.4 above:-

7.5.1 members of the Audit Committee should liaise with the Board and the senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

7.5.2 the Audit 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 Company's staff responsible for the accounting and financial reporting function, compliance officer (or person occupying the same position) or auditors;

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

- 7.6 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;

- 7.7 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;

- 7.8 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;

- 7.9 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;

- 7.10 to review the financial and accounting policies and practices of the Group;

- 7.11 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;
- 7.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 7.13 to report to the Board on the matters in the provisions of the Corporate Governance Code contained in the Listing Rules (as amended from time to time);
- 7.14 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 consider the establishment of a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 7.15 to act as the key representative body for overseeing the Company's relations with the external auditors; and
- 7.16 to consider other topics, as defined by the Board from time to time.

## **8 Reporting Responsibility**

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

## **9 Annual General Meeting**

The Chairman of the Audit Committee (or in his/her absence, another member of the Audit Committee or failing this, his/her duly appointed delegate) shall attend the Annual General Meeting of the Company prepared to respond to any shareholder questions on the Audit Committee's activities.

## **10 Publication of the Terms of Reference**

The Audit Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the websites of The Stock Exchange of Hong Kong Limited and of the Company.