



**CNT GROUP LIMITED**

**北海集團有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 701)

**TERMS OF REFERENCE**

**OF**

**AUDIT COMMITTEE**

(Revised on 6 December 2018)

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**Membership**

1. The audit committee (the “Committee”) shall consist of a minimum of three members appointed by the board of directors (the “Board”) of CNT Group Limited (the “Company”, together with its subsidiaries, the “Group”). Membership shall be confined to non-executive directors, the majority of which shall be independent non-executive directors (“INEDs”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
2. The Chairman of the Committee shall be appointed by the Board and must be an INED.
3. A former partner of the Company’s existing auditing 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:
  - (i) to be a partner of the firm; or
  - (ii) to have any financial interest in the firm, whichever is later.

**Meetings**

4. The Committee shall meet at least twice each year. Additional meetings should be held as the work of the Committee demands.
5. The quorum for the Committee meetings shall be two members.
6. The meetings and proceedings of the Committee shall be governed by the provisions contained in the Company’s bye-laws for regulating the meetings and proceedings of Directors.

7. The company secretary of the Company or such other person appointed by the Committee shall be the secretary of the Committee.

### **Authority**

8. 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 the Company's management for the purposes of discharging its responsibilities.
9. The Committee shall be provided with sufficient resources to perform its responsibilities.

### **Responsibilities**

10. The responsibilities of the Committee are:

#### *Relationship with the Company's 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 terms of engagement of the external auditor, and any questions of its resignation or dismissal. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view;
- (b) to review and monitor the external auditor's independence and objectivity;
- (c) to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external 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 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;

*Review of the Company's financial information*

- (e) to monitor the 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 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 assumption 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, at least twice a year, with the Company's external auditors; 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 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*

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

- (j) 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;
- (k) to review the Group's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters in these terms of reference;
- (o) to consider other topics, as requested by the Board;
- (p) 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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (q) to act as the key representative body for overseeing the Company's relations with the external auditor.

### **Reporting Procedures**

11. The Committee should report to the Board after each meeting.
12. Full minutes of meetings of the Committee should be kept by the secretary of the Committee. Drafts and final versions of the minutes of the Committee meetings shall be sent to all Committee members for their comment and record respectively.

### **Annual General Meeting**

13. The Chairman of the Committee should, as far as practicable, attend the annual general meeting of the Company and be prepared to respond to any shareholders' questions on the Committee's activities.

### **Availability and Update of the Terms of Reference**

14. These terms of reference shall be updated and revised as and when necessary in light of changes in circumstance and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong.
15. These terms of reference or its updated and revised versions should be published on the website of the Company and the website of The Stock Exchange of Hong Kong Limited.

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*(The translation into Chinese language of this document is for reference only. In case of an inconsistency, the English version shall prevail.)*