



CHANCETON FINANCIAL GROUP LIMITED

川盟金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8020)

AUDIT COMMITTEE TERMS OF REFERENCE

(As adopted by the Board on 21 September 2011 and amended on 20 March 2012 and 29 June 2016)

Constitution

1. The board (the “**Board**”) of directors (the “**Directors**”) of Chanceton Financial Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has resolved to establish an audit committee (the “**Audit Committee**”) with the authority, responsibility and specific duties as described below.

Membership

2. The Audit Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three (3) members, a majority of whom should be independent non-executive Directors and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise as required under rule 5.05(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”). Currently, the Audit Committee has four (4) members, all of whom are independent non-executive Directors. A quorum shall be two (2) members.
3. A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Audit Committee for a period of 1 year commencing on the date of his ceasing:-
 - (a) to be a partner of the auditing firm; or
 - (b) to have any financial interest in the auditing firm, whichever is the later.

4. The chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive Director.

Attendance at meetings

5. The finance manager, representatives of the internal auditors and representatives of the external auditors of the Company shall normally attend meetings of the Audit Committee. However, at least twice a year the Audit Committee shall meet with the external and internal auditors of the Company without the presence of the executive Directors.
6. Meetings can be held by way of telephone conference.

Frequency of meeting

7. Meetings of the Audit Committee shall be held not less than 4 times a year and special meetings may be called at the discretion of the chairman of the Audit Committee or at the request of the Board or senior management of the Company to review significant internal control or financial issues. The external auditors of the Company may request a meeting if they consider that one is necessary.

Authority

8. The Audit Committee is authorized by the Board to investigate any activity within the scope of its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
9. The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
10. The Audit Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

Duties

11. The duties of the Audit Committee shall be:

Relationship with external auditors

- (a) to consider and make recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the

remuneration and the terms of engagement of the external auditors; and any questions of resignation or dismissal;

- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with Hong Kong generally accepted accounting principles ("HKGAAP") and the Group's accounting policies, to discuss with the external auditors before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;
- (c) to develop and implement policy on engaging an external auditors (which 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) to supply non-audit services, to identify and make recommendations on and report to the Board on any matters in respect of which it considers that action or improvement is needed;

Review of the Group's financial information

- (d) to monitor integrity of the Group's financial statements and the annual report and accounts, interim report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting.
- (e) in conducting the review described in (d) above, members of the Audit Committee:-
 - (i) should liaise with the Board, senior management and the Company's finance manager and meet with the Company's auditors at least twice a year to discuss problems and reservations arising from the quarterly reports, interim report ,annual report and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary); and

- (ii) consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's finance manager or auditors.

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

- (f) 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;
- (g) 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 adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting and financial reporting function;
- (h) to review the external auditors' management letter, any material queries raised by the auditors to the management about accounting records, financial accounts or systems of control and the management's response;
- (i) to review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (j) to ensure co-ordination between the internal and external auditors, and 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 consider the major findings of internal investigations on risk management and internal control matters and management's response to these findings;
- (l) to review the Group's financial and accounting policies and practices;
- (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 set out in the Code on Corporate Governance in Appendix 15 of the GEM Listing Rules (as amended from time to time);
- (o) to consider other topics, as defined by the Board;

Other duties

- (p) to review arrangements employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit 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 auditors.

The Audit Committee should be provided with sufficient resources to perform its duties.

Reporting Procedures

12. The Company's company secretary or her delegate or such other person appointed by the chairman of the Audit Committee shall be the secretary of the Audit Committee. The secretary shall circulate the draft and final versions of the minutes of meetings and reports of the Audit Committee to all members of the Audit Committee for comments and records within a reasonable time after each meeting.
13. The chairman of the Audit Committee shall report at the forthcoming regular Board meeting any key decisions made and shall table before the Board an index of meetings and issues discussed.
14. The chairman of the Audit Committee, in consultation with the secretary of the Audit Committee, should be primarily responsible for drawing up and approving the agenda of each Audit Committee meeting. The chairman of the Audit Committee, with the assistance of the Company's finance manager, shall ensure that all members of the Audit Committee shall have sufficient information in a timely manner to enable effective discussion at each Audit Committee meeting and be briefed of the issues arising at each Audit Committee meeting.
15. Unless otherwise agreed, notice of each Audit Committee meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee, any other person required to attend and all other non-executive Directors, at least three (3) working days prior to the date of the Audit Committee meeting.
16. The secretary of the Audit Committee shall record minutes of all duly constituted meetings of the Audit Committee. All minutes shall record in sufficient detail the matters considered, decisions reached or recommendations made and any concerns raised by any member, the external auditors including dissenting views of any member.

Annual general meeting

17. The chairman of the Audit Committee shall, as far as practicable, attend the annual general meeting of the Company and be prepared to respond to any Company's shareholders questions on the Audit Committee's activities.

Powers of the Board

18. The Board may, subject to compliance with the articles of association of the Company and the GEM Listing Rules (including the Corporate Governance Code), amend, supplement and revoke these terms of reference and any resolution passed by the Audit Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

Note: As at 29 June 2016, the Audit Committee comprises four members, namely Mr. Yau Yan Ming Raymond (chairman of the Audit Committee), Mr. Chiu Chi Kong, Mr. Lau Ling Tak and Mr. William Robert Majcher.