



**Hi-Level Technology Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
(the "Company")

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

*(Adopted at the Board Meeting on 23 December 2015 and revised on 24 December 2018)*

## **I. CONSTITUTION**

1. The board (the "**Board**") of directors of the Company (the "**Directors**") has resolved on 23 December 2015 to establish a committee known as the Audit Committee (the "**Committee**").

## **II. OBJECTIVES**

2. The Committee shall be responsible for ensuring the objectivity and credibility of financial reporting of the Company and for maintaining an appropriate relationship with the external auditor.

## **III. MEMBERSHIP**

3. Members of the Committee shall be appointed by the Board after considering the recommendations of the Nomination Committee. The Committee shall consist of not less than three members, a majority of whom shall be independent non-executive Directors (the "**INED**"). The remaining members must be non-executive Directors.
4. At least one member shall have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").
5. A former partner of the Company's existing auditing firm is prohibited from acting as a member of the Committee for a period of two years commencing on 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 the later.
6. The chairman of the Committee shall be an INED who is a member of the Committee appointed by the Board.
7. The company secretary of the Company or his/her representative (in his/her absence) shall be the secretary of the Committee (the "**Secretary**").
8. In the case of an equality of votes at a meeting of the Committee, the chairman of the meeting shall have the casting vote.

#### **IV. QUORUM**

9. The quorum necessary for the transaction of the business of the Committee shall be two members of the Committee.

#### **V. ATTENDANCE AT MEETINGS**

10. The financial controller and other financial officers shall normally attend meetings. The external auditors may be invited to attend meetings. However, at least once a year the Committee shall meet with the external auditor without executive Board members present.

#### **VI. ANNUAL GENERAL MEETINGS OF THE COMPANY**

11. The chairman of the Committee, or in his/her absence, another member of the Committee, shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders of the Company on the Committee's activities and responsibilities.

#### **VII. FREQUENCY OF MEETINGS**

12. Meetings shall be held not less than 2 times a year. The external auditors may at any time request a meeting if they consider necessary.

#### **VIII. NOTICE OF MEETING**

13. A meeting of the Committee may be convened by any of its members or by the Secretary.
14. Unless otherwise agreed by all Members, the notice of convening a meeting of the Committee shall be sent out not less than 7 days before the meeting.
15. Notice of the Committee meeting shall state the date, time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the Committee for the purposes of the meeting.

#### **IX. RESOLUTIONS IN WRITING**

16. Resolutions in writing signed by all 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.

## **X. AUTHORITY**

17. 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.
18. The Committee is authorised 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 necessary.
19. Where 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 perform its duties.

## **XI. DUTIES**

21. The terms of reference of the Committee should include at least the following duties:-

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

- a. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve and review the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- b. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- c. to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under the common control with, ownership or management of 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 financial information of the Company*

- d. to monitor the integrity of the Company's financial statements and annual report and accounts, half-year reports 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 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 regard to (d) 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 auditors; and
  - ii. the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and 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, risk management and internal control systems*

- f. to review the Company's financial controls and 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 the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- h. to consider major investigations 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;
- i. 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;
- j. to review the group's financial and accounting policies and practices;
- k. 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;
- l. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- m. to report to the Board on the matters in these terms of reference;
- n. to review arrangements by which employees can raise in confidence concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow-up action;
- o. to act as the key representative body for overseeing the Company's relations with the external auditor;

- p. to consider other topics, as defined by the Board; and
- q. to make available its terms of reference, explaining the Committee's role and the authority delegated to it by the Board by including them on The Stock Exchange of Hong Kong Limited's website and the Company's website.

## **XII. REPORTING PROCEDURES**

22. Without prejudice to the generality of the foregoing, the Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements). The reporting shall be done by the chairman of the Committee or any such other person designated by the Committee.
23. The Secretary shall circulate (i) the draft and final versions of the minutes of the meetings to all Committee members for their comment and records respectively within a reasonable time after the meetings; and (ii) the minutes of the meetings and reports of the Committee to all members of the Board.

## **XIII. PUBLICATION OF THESE TERMS OF REFERENCE**

24. A copy of these terms of reference will be made available to any person without charge upon request and these terms of reference will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited.

*(In case of any discrepancy between the Chinese and English versions, the English version shall prevail.)*