



## **KUANGCHI SCIENCE LIMITED**

**光 啟 科 學 有 限 公 司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 439)

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE (the “Committee”)**

#### **1. Membership**

- 1.1 The members of the Committee shall be appointed by the board of directors of the Company (the “Board”) and must consist of a minimum of three members (the “Member(s)”).
- 1.2 Membership shall be confined to non-executive directors, the majority of which must be independent non-executive directors (the “INED”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.
- 1.4 An non-executive director who is 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 two years from (a) the date of his/her ceasing to be partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm, whichever is later.
- 1.5 The company secretary of the Company shall be secretary of the Committee (the “Secretary”).
- 1.6 The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary.
- 1.7 The appointment of the Members may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee. An appointment of Member shall be automatically revoked if such Member ceases to be a member of the Board.

## **2. Meetings**

2. The Committee shall meet at least twice each year. Additional meetings shall be held as the work of the Committee demands. The Company's external auditors may request the chairman of the Committee to convene a meeting if they consider that one is necessary.
- 2.2 Notice of any meetings has to be given a reasonable time prior to any such meeting being held, unless all Members unanimously waive such notice. Notice shall be given to each Member in person orally or in writing or by telephone or by email or by facsimile transmission. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.
- 2.3 The quorum of the Committee meeting shall be any two Members.
- 2.4 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 2.5 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present.
- 2.6 A resolution in writing signed by all the Members of the Committee shall be as valid and effectual as if had been passed at a meeting of the Committee duly convened and held.
- 2.7 Minutes of the Committee shall be kept by the Secretary. Draft and final version of minutes shall be circulated to all Members for their comment and records within a reasonable period of time after the meeting. Such minutes shall be open for directors' inspection.

## **3. Authority**

- 3.1 The Committee shall be provided with sufficient resources to perform its duties.
- 3.2 The Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.
- 3.3 The Committee may seek independent professional advice in appropriate circumstances at the Company's expense to perform its duties.

#### **4. Responsibility, power and discretion**

4.1 The Committee shall have the following responsibilities, powers and discretion:

##### ***Relationship with the Company's external 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 the remuneration and terms of engagement of the external auditor, and any question of its resignation or dismissal;
- (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 reasonable conclude to be part of the audit firm nationally or internationally;
- (e) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (f) to act as the key representative body for overseeing the Company's relations with the external auditor;

##### ***Review of the Company's financial information***

- (a) to monitor integrity of the Company's financial statement and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review any significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee shall focus particularly on:
  - i. any changes in accounting policies and practices;
  - ii. major judgemental 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 Listing Rules and legal requirements in relation to financial reporting;

- (b) Regarding (a) above:
  - i. Members must 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, 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, reporting function, compliance officer or auditors;

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

- (a) 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 issuer's risk management and internal control systems;
- (b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective internal control systems. This discussion should include adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (c) 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;
- (d) 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;
- (e) to review the group's financial and accounting policies and practices;
- (f) 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;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters in the Corporate Governance Code;

- (i) to consider other topics, as defined by the Board; and
- (j) 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 ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

## **5. Reporting Responsibilities**

- 5.1 The Secretary shall circulate the minutes of the Committee meetings, reports of the Committee and relevant information to all directors of the Company.

## **6. Power of the Board**

- 6.1 The Board may, subject to compliance with the Bye-laws of the Company and the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (including the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules or if adopted by the Company, the Company’s own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

## **7. Publication of the terms of reference of the Committee**

- 7.1 The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the website of the Company and on the website of the Stock Exchange.

Second amendment Date: 18 March 2019

Amendment Date: 28 December 2015

Effective Date: 27 March 2012