

CONVOY FINANCIAL HOLDINGS LIMITED

康宏金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1019)

(the “Company”, and together with its subsidiaries, the “Group”)

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

(Revised version adopted with effect from 1 January 2016)

MEMBERSHIP

1. The Committee shall be established by the board of directors of the Company (the “Board”) and shall comprise non-executive directors of the Company only and shall comprise a minimum of three members, at least one of whom is an independent non-executive director of the Company with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
2. The majority of the Committee members must be independent non-executive directors of the Company.
3. The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.
4. All Committee members shall be appointed by the Board provided that a former partner of the Company’s auditing firm from time to time should be prohibited from acting as a Committee member for a period of 1 year from the date of his ceasing
 - 4.1. to be a partner of the firm; or
 - 4.2. to have any financial interest in the firm,whichever is later.

MEETINGS

5. The Committee should meet at least twice per year. Additional meetings may be held as and when the Committee considers fit and necessary.
6. The Chairman of the Committee may convene additional meetings at his/her discretion and shall be responsible for leading the Committee and the Committee's meetings.
7. The quorum for a Committee's meeting shall be two members.
8. The financial director of the Company and a representative of the external auditor of the Company should normally attend meetings of the Committee. Other members of the Board should also have the right of attendance. The Committee must meet, at least twice a year, with the auditors of the Company.
9. The Company Secretary of the Company or his/her delegates shall be the secretary of the Committee. Full minutes of meetings of the Committee should be kept by the Company Secretary of the Company or his/her delegates. Draft and final versions of minutes of the Committee meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.

AUTHORITY

10. The Committee is granted the authority to investigate any activity within its terms of reference and all employees of the Group are directed to cooperate with the Committee. The Committee is authorised to require the management of the Company to provide all necessary information and/ or materials requested by the Committee as may be required for performing its duties. The Committee is authorised by the Board to obtain outside legal or other independent professional advice at the expenses of the Company and to invite the attendance of outsiders with relevant experience and expertise at the Committee meetings if it considers this necessary.
11. The Committee shall report to the Board on its findings, decisions and recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

12. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor of the Company, the Committee will arrange for the Corporate Governance Report in the annual report of the Company to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
13. The Committee should be provided with sufficient resources to perform its duties.

DUTIES

14. The duties of the Committee shall include the following aspects:
 - 14.1. 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;
 - 14.2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
 - 14.3. 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
 - 14.4. 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 Committee should focus particularly on: -
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;

- (c) significant adjustments resulting from the audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

14.5. regarding 14.4 above:-

- (a) 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
- (b) 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;

14.6. 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;

14.7. 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;

14.8. 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;

14.9. 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;

14.10. to review the Group's financial and accounting policies and practices;

- 14.11. 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;
- 14.12. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 14.13. 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;
- 14.14. to act as the key representative body for overseeing the Company's relations with the external auditor;
- 14.15. to report to the Board on the matters as set out in the code provision C.3.3 of Appendix 14 to the Listing Rules; and
- 14.16. to consider other topics, as defined by the Board.