



## ZMAY HOLDINGS LIMITED

中民安園控股有限公司

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

### Terms of Reference of Audit Committee

(the “Audit Committee”)

#### Purpose

1. The purpose of the Audit Committee is to assist the board of directors (the “**Board**”) of the Company in considering how the Board should apply financial reporting and internal control principles and for maintaining an appropriate relationship with the Company’s auditors.

#### Composition

2. The Audit Committee shall comprise a minimum of three members consisting of non-executive directors only and a majority of which must be independent non-executive directors of the Company. The Audit Committee must comprise of at least one independent non-executive director who has appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) (as amended from time to time). A quorum shall be two members.
3. The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board and must be an independent non-executive director.

#### Meetings

4. The Audit Committee shall meet at least fourth annually or more frequently if circumstances require and shall act by unanimous written consent. The Board, any audit committee member and the external auditors may request meeting of the Audit Committee if they consider that one is necessary.
5. The financial director of the Company, the head of internal auditor and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least twice a year the Audit Committee shall meet with the external and internal auditors without executive directors present.
6. The Chairman (or in his or her absence, a member designated by the Chairman) shall preside at all meetings of the Audit Committee. The Chairman shall be responsible for leading the Audit Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.

7. The company secretary of the Company shall be the secretary of the Audit Committee (the “**Secretary**”).

### **Access**

8. The Audit Committee shall have full access to management and may invite members of management or others to attend the meetings of the Audit Committee. The Audit Committee will consult the chairman and/or chief executive officer of the Company about their proposals relating to financial reporting and internal control matters and the Company’s relationship with the Company’s auditors.

### **Reporting Procedures**

9. The Audit Committee shall evaluate and assess the effectiveness of the Audit Committee and the adequacy of these terms of reference of the Audit Committee on an annual basis and recommend any proposed changes to the Board.
10. Minutes of meetings of the Audit Committee (draft and final versions) and the record of individual attendance at such meetings shall be prepared by the Secretary which shall be sent to all members of the Audit Committee and the Board as soon as practicable after the conclusion of any meeting of the Audit Committee.

### **Authority**

11. The Audit Committee is authorized by the Board to investigate any activity within these terms of reference. It is authorized to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Audit Committee.
12. 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 at meetings of the Audit Committee if it considers this necessary.
13. The Audit Committee shall be provided with sufficient resources to discharge its duties.

### **Duties**

14. The duties of the Audit Committee shall include the following:
  - (a) to be primarily responsible for making recommendation 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;

- (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 Audit 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 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 Audit Committee should report to the Board, identifying and making recommendation(s) any matters where action or improvement is needed;
- (d) to monitor the integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing the annual reports and accounts, half-year report and quarterly reports before submission to the Board, the Audit Committee should focus particularly on:
  - i) any changes in accounting policies and practices;
  - ii) major judgmental 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) regarding (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, 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;
- (f) to review the Company's financial controls, internal control and risk management systems;

- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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 investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response of these findings;
- (i) 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;
- (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 the 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 set out in the Appendix 15 of the GEM Listing Rules;
- (n) to consider such other matters as the Board may from time to time determine.

*Note: The English version shall always prevail in case of any inconsistency between the English version and the Chinese translation. The Chinese version is for reference only*