

MINTH GROUP LIMITED
(the “Company”)

**TERMS OF REFERENCE AND MODUS OPERANDI
OF
AUDIT COMMITTEE**

Membership

1. The Committee shall consist of not less than three members appointed by the board of directors of the Company (the “Board”), all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).
2. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.

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Frequency and proceedings of meetings

3. The Committee should meet at least two times per year. Additional meetings should be held as the work of the Committee demands.
4. In addition, the chairman of the Committee may convene additional meetings at his discretion.
5. The quorum for a meeting shall be two members.
6. Meetings of the Audit Committee may follow the same procedures as those for meetings of the Board under the relevant provisions in the Company’s articles of association, as amended from time to time.

Authority

7. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
8. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

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

App14 C.3.6

Responsibility

11. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
12. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the "Group"), and as to the adequacy of the external and internal audits.

Duties, powers and functions

13. The Committee is to:
 - (a) 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; App14 C.3.3(a)
 - (b) review with the group's management, external auditor and internal auditor, the adequacy of the group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the directors to be included in the annual accounts prior to endorsement by the Board; App14 C.3.3(f)
 - (c) review and have familiarity with the financial reporting principles, accounting policies and practices applied by the Group in preparing its financial statements; App14 C.3.3(j)
 - (d) 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. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually; App14 C.3.3(b)

(e) 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, with particular focus on:

App14 C.3.3(d)

- (i) any changes in accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments resulting from the audit;
- (iv) the going concern assumption and any qualifications;
- (v) compliance with accounting and auditing standards; and
- (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(f) with regard to (e) above:-

App14 C.3.3(e)

- (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 report and accounts, it should give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (g) review the draft representation letter prior to approval by the Board;
- (h) evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; inquire of the external auditor as to whether there have been any disagreements with management which, if not satisfactorily resolved, would result in the issue of a qualified report on the group's financial statements;
- (i) seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

- (j) discuss with the external auditor any recommendations arising from the audit (if necessary in the absence of management); and review the draft management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control including management's response to the points raised; App14 C.3.3(k)
- (k) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter; App14 C.3.3(l)
- (l) where an internal audit function exists, 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; App14 C.3.3(i)
- (m) develop and implement policy on engaging an external auditor to supply non-audit services. The Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed; App14 C.3.3(c)
- (n) discuss with management the scope and quality of the internal control system and 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; App14 C.3.3(g)
- (o) apprise the Board of significant developments in the course of performing the above duties;
- (p) recommend to the Board any appropriate extensions to, or changes in, the duties of the Committee;
- (q) consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings; App14 C.3.3(h)
- (r) agree with the Board the Stock Exchange's policy relating to the hiring of employees or former employees of the external auditor and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been or appears to be any impairment of the auditor's judgment or independence for the audit;
- (s) 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 is to ensure proper arrangements are in place for fair and independent investigation of these matters and appropriate follow up action; App14 C.3.7(a)

- (t) act as the key representative body for overseeing the Company's relations with the external auditor; App14 C.3.7(b)
- (u) report to the Board on the above matters and matters set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (as amended from time to time); and App14 C.3.3(m)
- (v) consider other topics, as requested and defined by the Board. App14 C.3.3(n)

Reporting Procedures

- 14. The Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year. App14 C.3.1
- 15. Full minutes of the Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records within a reasonable time after the meeting. App14 C.3.1