



YING KEE TEA HOUSE GROUP LIMITED

英記茶莊集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8241)

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

(Adopted On 14 March 2018 and amended with effect from 19 February 2019)

1. CONSTITUTION

The Committee is established pursuant to a resolution passed by the board of directors of the Company (the “**Board**”) on 14 March 2018.

The terms of reference of the Committee may be amended from time to time by the Board pursuant to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

2. MEMBERSHIP

2.1 Members of the Committee (the “**Member(s)**”) shall be appointed by the Board from amongst the non-executive directors only of the Company and shall consist of not less than three members, a majority of whom shall be independent non-executive directors and at least one of them must have the appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules. No Member may appoint any alternate.

2.2 The chairman of the Committee (the “**Chairman**”) shall be appointed by the Board and must be an independent non-executive director.

2.3 When any person ceases to be a non-executive director or an independent non-executive director of the Company, his/her appointment as a Member will be automatically terminated on the same date.

2.4 A non-executive director who is a former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of two year from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

3. SECRETARY

The Company Secretary shall be the Secretary of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary of the Committee.

4. AUTHORITY OF THE COMMITTEE

4.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (the “**Group**”) and any professional advisers (including the external auditor) on any matter relating to the financial position of the Company, its subsidiaries or affiliates and to require any of them to prepare and submit such reports, to attend Committee meetings to address the questions raised by the Committee, as may be required for the purpose of discharging its duties;
- (b) to inspect all accounts, books and records of the Company;
- (c) to seek independent professional advice at the expense of the Company on any matters within this terms of reference as it considers necessary and to secure the attendance of outsiders with relevant experience and expertise at its meetings, if it considers this necessary. Such arrangement should be made through the Company Secretary; and

4.2 The Committee should be provided with sufficient resources to discharge its duties.

5. DUTIES

The duties of the Committee shall be:

5.1 Relationship with the Company’s external auditor

- (a) to act as the key representative body for overseeing the Company’s relations with the external auditor, 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;
- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged 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 reasonably 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;

5.2 Review of the Company’s financial information

- (f) to monitor the Company’s integrity of financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them;
- (g) to review these reports mentioned in paragraph (f) above before submission to the Board, focusing 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 assumption and any qualifications;
 - (v) compliance with accounting standards;
 - (vi) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;and to provide advice and comments thereon to the Board;
- (h) regarding paragraph (g) above:
 - (i) Members should liaise with the Board and senior management, and the Committee must meet, at least twice a year, with the Company’s external auditor; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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 external auditor;

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

- (i) 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;
- (j) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective risk management and internal control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function;
- (k) 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;
- (l) where an internal audit function exists, to ensure co-ordination between the internal auditor and external auditor, 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;
- (m) to review the Group's financial and accounting policies and practices;
- (n) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- (o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) to conduct exit interviews with any director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his/her departure if the Committee considers necessary;
- (q) to review arrangements that the Company's employees 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;
- (r) to report to the Board on the matters set out in this terms of reference; and
- (s) to consider other matters, as defined or assigned by the Board from time to time.

6. COMMITTEE MEETING

6.1 Notice

- (a) Unless otherwise agreed or waived by all the Members, a meeting shall be called by at least seven days' notice. 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 fourteen days.
- (b) Notice of meeting shall state the purpose, time and place of the meeting. In respect of regular meetings of the Committee to be held as mentioned in clause 6.3 below, and so far as practicable in all other meetings of the Committee, the agenda and accompanying papers shall be sent in full to all the Members in a timely manner and at least three days before the intended date of the meeting of the Committee (or such other period as all the Members may agree).

6.2 Quorum

The quorum of the Committee meeting shall be two Members.

6.3 Frequency

- (a) The Committee shall meet as and when necessary and at least twice a year. The external auditor may request the Chairman to convene a meeting, if it considers that one is necessary. A Member may at any time and, on the request of a Member, the Secretary of the Committee shall, summon a Committee meeting.
- (b) The Committee shall at least once a year meet with the external auditor and internal auditor, if any, without executive directors being present.

6.4 Meetings

- (a) Meetings may 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.
- (b) At the invitation of the Committee, the Chief Financial Officer, the Head of Internal Control (or any officer(s) assuming the relevant functions but having a different designation) and representative(s) of the external auditor may attend the meeting. The Committee may invite other Board members and/or any other person(s) to attend the meeting if the Chairman or any Member considers necessary.
- (c) Only Members are entitled to vote at the meetings.

- (d) Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present.
- (e) A resolution in writing signed by all Members shall be as valid and effectual as if it has been passed at a meeting of the Committee duly convened and held.
- (f) Full minutes of the meetings of the Committee and all written resolutions of the Committee shall be kept by the Secretary of the Committee.
- (g) The Secretary of the Committee shall circulate the draft and final version of minutes of each meeting of the Committee to all Members for their comments and records respectively within a reasonable time after the meeting.
- (h) If the Company Secretary may not participate in the meeting, the Company Secretary may appoint his/her representative or the Committee may appoint any other person with appropriate professional qualification and experience as the secretary of the Committee.

7. REPORTING

The Committee shall report to the Board after each meeting.

8. ANNUAL GENERAL MEETING

The Chairman or in his/her absence, another Member, shall attend the Annual General Meeting of the Company and be prepared to respond to shareholders' questions on the Committee's activities and responsibilities.

Note: This document has been translated into Chinese. In case of any discrepancies between the English and Chinese versions, the English version shall prevail.