



**Telecom Digital Holdings Limited**  
**電訊數碼控股有限公司**  
*(incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8336)**

**Audit Committee - Terms of Reference (“Terms of Reference”)**

**I. Constitution**

1. The board (the “**Board**”) of directors (the “**Directors**”) of Telecom Digital Holdings Limited (the “**Company**”) has resolved to establish a committee of the Board known as the Audit Committee (the “**Committee**”) on 20 May 2014.

**II. Membership**

2. The members of the Committee shall be appointed by the Board from time to time amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors. A quorum shall be two members.
3. At least one member shall have 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**”).
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of one year from the date of his ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.
5. The chairman of the Committee shall be an independent non-executive Director who is a member of the Committee appointed by the Board.

### **III. Attendance at meetings**

6. The Director and/or management staff of the Company in charge of finance and accounting functions, the head of internal audit (if applicable), and a representative of the external auditor shall normally attend meetings of the Committee. However, at least once a year the Committee shall meet with the Company's external and internal auditors without executive Directors present.
7. The company secretary of the Company (the "**Company Secretary**") shall be the secretary of the Committee, and, in the absence of the Company Secretary, any such other person as may from time to time be nominated by the Company Secretary, subject to the approval of the Committee, shall act as secretary of the Committee.

### **IV. Frequency of meetings**

8. Meetings shall be held not less than twice a year. The external auditor may request a meeting if they consider that one is necessary.

### **V. Voting**

9. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the Chairman of the meeting who shall be the chairman of the Committee (or, in his/her absence, any one member of the Committee who: (a) is an independent non-executive Director; (b) is present thereat; and (c) is elected by the members present to chair the meeting) shall have a second or casting vote.

### **VI. Resolutions in writing**

10. A resolution in writing signed by all of the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee. Any such resolution may be contained in a single document or may consist of several documents all in like form.

### **VII. Authority**

11. The Committee is authorised by the Board to investigate any activity within these Terms of Reference. It is authorised to seek any information it requires from the Company and the management of the Company shall co-operate with any request made by the Committee.
12. The Committee is authorised by the Board to obtain outside legal or other independent professional advice to perform its duties and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
13. The Committee shall be provided with sufficient resources to perform its duties.

## VIII. Duties

14. The duties of the Committee shall include the following aspects:

### *Relationship with the Company's auditor*

- (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 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 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 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;

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

- (d) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports 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:-
  - (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 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 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, 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 auditor;

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

- (f) 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;
- (g) 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;
- (h) 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;
- (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 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 in these Terms of Reference;

- (n) 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;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor; and
- (p) to consider other topics, as defined by the Board.

#### **IX. Reporting procedures**

- 15. Without prejudice to the generality of the foregoing, the Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements). The reporting shall be done by the chairman of the Committee or any such other person designated by the Committee.
- 16. The secretary of the Committee shall circulate (i) the draft and final versions of the minutes of the meetings to all Committee members for their comments and records respectively within a reasonable time after the meetings; and (ii) the minutes of the meetings and reports of the Committee to all members of the Board.

#### **X. Publication of these Terms of Reference**

- 17. A copy of these Terms of Reference will be made available to any person without charge upon request and these Terms of Reference will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited.

December 2015

*The English text of this document shall prevail over the Chinese text in case of inconsistencies.*