



Plover Bay Technologies Limited

珩灣科技有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1523)

(the “Company”)

AUDIT COMMITTEE

Terms of Reference

Adoption date: 21 June 2016

Revision date: 4 January 2019

1 MEMBERSHIP

- 1.1 The Audit Committee (the “**Committee**”) is established by the board of directors of the Company (the “**Board**”) according to the articles of association of the Company (the “**Articles of Association**”) and the establishment would be effective from the date on which the shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
- 1.2 The Committee members must be appointed by the Board and shall consist of not less than three members. The majority of the members must be independent non-executive directors (the “**INED(s)**”) and at least one of whom shall have the 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 of the Stock Exchange (the “**Listing Rules**”).
- 1.3 Chairman of the Committee shall be appointed by the Board and must be an INED.
- 1.4 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 two years 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 the later.

1.5 The Board may, from time to time, at their discretion, change the composition of the members of the Committee.

2 SECRETARY

2.1 The Committee may appoint the company secretary of the Company or any other person with appropriate qualification and experience as the secretary of the Committee. Full minutes of the meetings should be kept by the secretary.

3 MEETINGS

3.1 Except the Committee meeting as set out in rules below, members of the Committee shall attend designated meeting with the external auditing firm of the Company or other appropriate person upon their invitation from time to time so as to address and concerns raised by such external auditing firm or such other appropriate person in relation to audit of the Company.

3.2 Notice of meetings shall be given to all members of the Committee and the external auditors (if applicable) at least three (3) days before the meeting.

3.3 Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the Committee meeting. Such agenda and other documents should be sent in a timely manner and at least three days before the intended date of a meeting (or other period agreed by the Committee).

3.4 The quorum for a Committee meeting shall be any two members who must be INEDs.

3.5 The Committee members could attend the meetings in person, by telephone or by video conference

3.6 Meetings of the Committee shall be planned prior to the beginning of each financial year of the Company, and shall be not less than twice a year. The Committee must meet, at least twice a year, with the external auditors to discuss matters relating to the audit and any other related issues.

3.7 At least once a year, the Committee will meet the external auditor in the absence of management of the Company (unless otherwise invited by the Committee) to discuss matters relating to its audit fees or any other matters the external auditor may wish to raise.

- 3.8 A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 3.9 Unless otherwise stated herein, proceedings of meeting of the Committee shall be governed by the relevant provisions of the Articles of Association of the Company (as amended from time to time).

4 ATTENDANCE AND VOTING AT MEETINGS

- 4.1 The financial controller, the head of internal audit (or a representative from external consultant if such has been outsourced to external firms) and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors without executive Board members present.
- 4.2 Decisions shall be determined by simple majority, and in the event of a tie (if any), the chairman of the Committee shall have the casting vote.

5 AUTHORITY

- 5.1 The Committee is authorised by the Board to investigate any activity within the terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 5.2 The Committee has unrestricted access to the chairman of the Board, the financial controller (or any officer(s) assuming the relevant functions but having a different designation), the external auditors and the internal auditors in order to discharge its duties.
- 5.3 All members of the Committee shall have access to the advice and services of the secretary with a view to ensuring that procedures of the Committee and all applicable rules and regulations are followed.
- 5.4 The Committee shall be provided with sufficient resources to perform its duties and may seek independent legal or other professional advice in appropriate circumstances at the Company's expenses to perform its duties.

6 DUTIES

6.1 The main duties of the Committee shall include the following aspects:

Relationship with the Company's auditors

- (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 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 and making recommendations as to the steps to be taken.

Review of the Company's financial information

- (d) 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 judgments 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 judgmental 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 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; the Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Committee shall 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.

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 Company'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 discuss problems and qualified opinion, if any, arising from the half-year and annual audit, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- (n) to review arrangements by which 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;
- (p) to report to the Board on the matters in relation to the Corporate Governance Code under Appendix 14 of the Listing Rules; and
- (q) to consider other topics, as defined by the Board from time to time.

Corporate governance functions

- (r) to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board;
- (s) to review and monitor the training and continuous professional development of directors and senior management;
- (t) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (u) to develop, review and monitor the code of conduct applicable to employees and directors; and
- (v) to review the Company's compliance with the Corporate Governance Code in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report.

7 REPORTING PROCEDURES

- 7.1 The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.
- 7.2 Full minutes and written resolutions should be kept by the secretary of the Committee. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comments and records, within a reasonable time after the meeting. Written resolutions should be promptly sent to all Committee members for their records after the written resolutions are passed.
- 7.3 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 works and recommendations of the Committee since the last Board meeting (if any). At least once annually, the Committee should present a report in writing to the Board which addresses the work of the Committee during the year.

7.4 Where the Board disagrees with the Committee's view regarding the selection, appointment, resignation or dismissal of the external auditors, the Company should include in its corporate governance report, a statement from the committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

8 OTHERS

8.1 The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.

8.2 Any changes to the terms of reference shall be effective after they have been approved by the Board.