

HUNG HING PRINTING GROUP LIMITED
(THE “COMPANY”)
AUDIT COMMITTEE
TERMS OF REFERENCE

Objectives

The audit committee (the “Committee”) is appointed by the board of director of the Company with a view to assist the board in overseeing and reviewing:

- the effectiveness of the Company’s internal control, risk management system and regulatory compliance;
- the balance, transparency and integrity of the Company’s financial statements and the application of accounting principles and financial reporting standards;
- the relationship with the external auditor and its independence assessment and
- the effectiveness of the Company’s internal audit function

Composition

1. The Committee shall comprise of non-executive directors only. The Committee must comprise at least three members with the majority being independent non-executive directors.
2. At least one of the independent non-executive director serving as member of the Committee must possess appropriate accounting professional qualification or accounting or related financial management experience.
3. The Chairman of the Committee shall be appointed by the board and must be an independent non-executive director.
4. Any former partner of the Company’s existing auditing firm is prohibited to be a member of the Committee for a period of two years commencing on the date his ceasing to be a partner of the firm or to have any financial interest in the firm (whichever is later).
5. The Company Secretary of the Company shall be the Secretary of the Committee.

Proceedings of meetings

1. Proceedings of meetings of the Committee shall be governed by the provisions of Article 106 of the Articles of Association of the Company.
2. The quorum of a meeting shall be two members but must be two independent non-executive directors of the Committee.

3. The Committee may invite such other persons (e.g. the Chief Executive Officer, the heads of finance department, the head of internal audit and engagement partner of external auditor) to its meetings as it considers necessary. Other board members shall also have the right of attendance.
4. Meetings shall be held not less than 4 times a year. Special meetings may be convened as and when required. The Secretary of the Committee will convene a meeting on receipt of request by the internal or external auditor.
5. The Secretary of the Committee shall circulate the meeting agenda and accompanying committee papers to the Committee members at least 3 days before the intended date of meeting.
6. Minutes of meeting should be kept by the Secretary and should be open for inspection at any reasonable time on reasonable notice by any director.
7. Minutes of meeting should record in sufficient detail the matters considered and decisions reached, including any concerns raised by members of the Committee or dissenting views expressed. Draft and final versions of minutes should be sent to all members of the Committee for their comment and records respectively, within a reasonable time after the Committee meeting is held.
8. The Committee shall meet with the external auditor at least twice a year without the executive board members present.

Authority

1. The Committee is authorized by the board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
2. The 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 if it considers this necessary.

Duties

The authority of the Committee is derived from the board; therefore the Committee is obliged to report to the board on their decisions and recommendations. The duties of the Committee are:

1. Internal Control, Risk Management and Regulatory Compliance
 - 1.1 to review the Company's financial controls, internal control and risk management systems;
 - 1.2 to discuss with the management the system of internal control and ensure

that the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

- 1.3 to consider any findings of major investigations of internal control matters as delegated by the board or on its own initiative and management's response;
- 1.4 to review the group's financial and accounting policies and practices;
- 1.5 to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- 1.6 to ensure that the board provides a timely response to the issues raised in the external auditor's management letter;
- 1.7 to report to the board on the matters set out in the code provision C.3 in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules);
- 1.8 to consider other topics as defined by the board; and
- 1.9 to review arrangement employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

2 Review of Financial Information

- 2.1 to monitor the balance, transparency and integrity of the Company's financial statements, annual reports and accounts, and half-yearly reports by ensuring that appropriate accounting principles, practices and reporting standards are followed, and to review significant financial reporting judgments contained therein, with particular focus on;
 - any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and
 - compliance with the Listing Rules and other legal requirements in relation to financial reporting.
- 2.2 for the purposes of 2.1 above:
 - Committee members must liaise with board members, senior

management and external auditor, and must meet with the external auditor at least twice a year; and

- the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and 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.

3 Relationship with External Auditor

- 3.1 To be primarily responsible for making recommendation to the board on the appointment, reappointment and removal of the external auditor, and any questions of resignation or dismissal of that auditor;
- 3.2 to review and monitor the external auditor independence and objectivity, and the effectiveness of the audit process in accordance with applicable standard;
- 3.3 to review the external auditor proposed audit scope and approach and reporting obligations before the audit commences;
- 3.4 to discuss with the external auditor any audit problems encountered in the audit work and the appropriateness of the accounting policies applied;
- 3.5 to ensure that significant findings and recommendations made by the external auditor and management's proposed responses are received, discussed and appropriately acted on;
- 3.6 to develop and implement policy on the engagement of the external auditor to supply non-audit services, if any, to ensure that provisions of such services would not impair the independency and objectivity of the external auditor. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally; and
- 3.7 to act as, the key representative body for overseeing the Company's relationship with the external auditor.

4 Internal Audit

- 4.1 to ensure co-ordination between internal and external auditor;
- 4.2 to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- 4.3 to review and monitor the effectiveness of the internal audit function; and
- 4.4 to ensure that significant findings and recommendations made by the

internal auditor and management's proposed response are received, discussed and appropriately acted on.

Annual General Meeting

The Chairman of the Committee shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities. In his absence, one other member of the Committee or failing this his duly appointed delegate should attend.

Reporting responsibilities

The Committee shall 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.

Revised on the 1st day of January 2019