

MS GROUP HOLDINGS LIMITED

萬成集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1451)

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

The board (the “**Board**”) of directors (the “**Director(s)**”) of MS Group Holdings Limited (the “**Company**”) has resolved to establish a committee of the Board known as the audit committee (the “**Committee**”) on 15 May 2018.

1. MEMBERSHIP

- 1.1 The Committee consists of not less than 3 members appointed by the Board, all of whom should be Non-Executive Directors and a majority of whom should be Independent Non-Executive Directors (the “**INEDs**”).
- 1.2 At least one member must be an INED with appropriate professional qualifications, accounting or related financial management expertise in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 1.3 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 2 years 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.

2. CHAIRMAN

- 2.1 The chairman of the Committee (the “**Chairman**”) shall be an INED and a member of the Committee appointed by the Board.
- 2.2 The Chairman shall chair the meetings of the Committee.
- 2.3 In the absence of the Chairman, the remaining members present at the meeting shall elect one amongst themselves to chair the meeting of the Committee.

3. SECRETARY

- 3.1 The secretary of the Committee (the “**Secretary**”) or his/her delegate shall attend meetings of the Committee to take minutes.
- 3.2 In the absence of the Secretary, the members present at the meeting of the Committee shall elect another person as the secretary of the Committee.

4. QUORUM AND RESOLUTIONS

- 4.1 The quorum necessary for the transaction of business shall be any two members and:
- a. If only two members are in attendance, at least one member shall be an INED; and
 - b. If more than two members are in attendance, then a majority of the members shall be INEDs.
- 4.2 A member participating in a Committee meeting through electronic communications device shall be counted for the purpose of the quorum as far as the member is able:
- a. To hear each of the other participating member(s) addressing the meeting; and
 - b. If he/she so wishes, to address all of the other participating member(s) simultaneously.
- 4.3 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The member or any of his/her close associates who has a material interest shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Committee in which he/she and/or his/her close associates have a material interest.
- 4.4 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 4.5 Each resolution at a meeting of the Committee shall be determined by a majority of votes of the Committee members present. In case of an equality of votes, the chairman of the meeting shall have a casting vote.

5. FREQUENCY OF MEETINGS

- 5.1 The Committee shall meet at least two times a year with the auditor of the Company and at such other times as the Chairman shall require.
- 5.2 Any members of the Committee, the internal audit function of the Company (the “**Internal Audit Function**”) or the external auditor may request a meeting if he/she considers that one is necessary. The request shall be made to the Secretary.

6. ATTENDANCE AT AND ATTENDEES OF MEETINGS

- 6.1 Members of the Committee may attend meetings of the Committee either in person or through electronic means of communication.
- 6.2 Should any members of the Committee wish to attend a meeting through electronic communications, prior arrangements shall be made with the Secretary.
- 6.3 Other than members of the Committee, the chief financial officer of the Company (the “**CFO**”) and/or his/her delegate(s), the Internal Audit Function and/or his/her delegate(s), or representative(s) of the external auditor shall normally attend the meetings, but they cannot vote or be counted towards the quorum for any matter to be resolved by the Committee.
- 6.4 At least once a year the Committee shall meet with the external and internal auditors without the presence of any Executive Director or member of the executive management. For the avoidance of doubt, no minutes for the meeting as stated in this clause shall be mandatory.

7. NOTICE OF MEETINGS

- 7.1 Meetings of the Committee shall be summoned by the Secretary at the request of any of its members.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time shall be forwarded to each members of the Committee, and to any other person required to attend:
 - a. In relation to all regular meetings of the Committee, at least 7 calendar days before the date of the meetings; and
 - b. In relation to all other meetings of the Committee, within a reasonable time prior to the date of the meetings.
- 7.3 Supporting papers of the meetings shall be sent to each members of the Committee and to other attendees, as appropriate, within a reasonable time before the holding of the meetings.
- 7.4 Each members of the Committee shall be entitled, by notice to the Secretary, to include other matters relevant to the functions of the Committee in the agenda of the Committee meetings.

8. MINUTES OF MEETINGS

- 8.1 The Secretary (or his/her delegate) attending the meetings of the Committee shall minute in sufficient detail the proceedings and resolutions of all such meetings. The minutes should also include any concerns raised by any members of the Committee and/or dissenting views expressed.

- 8.2 Draft minutes of each meeting shall be sent to the Committee members present at the meeting for comments within a reasonable time after the meeting.
- 8.3 A final version of the minutes of each meeting shall be sent to the Committee members present at the meeting for signature and shall be copied to each other member(s) absent from the meeting for reference, attention and/or follow up.
- 8.4 Minutes of the meetings shall be kept by the Secretary and shall be available for inspection by any members of the Committee or Director(s) at any reasonable time on reasonable notice.

9. WRITTEN RESOLUTIONS

- 9.1 Save for any matter constituting a connected transaction of the Company under the Listing Rules and requiring approval of the Shareholders at general meeting or any matter a substantial Shareholder or a Director having a conflict of interest which the Board has determined to be material, a resolution in writing signed by a majority of 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 provided that:
- a. The members signing the resolution are sufficient to constitute a quorum; and
 - b. A copy of such resolution has been given or the contents thereof communicated to all the members before the resolution becomes valid.

10. ANNUAL GENERAL MEETING

- 10.1 The Chairman shall, or in the event the Chairman is not available, another member of the Committee shall, attend the annual general meeting of the Company and be prepared to respond to any Shareholder questions on the Committee's activities.

11. DUTIES

- 11.1 The Committee shall have the following duties:
- a. to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, 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 auditor the nature and scope of the audit and reporting obligations before the audit commences, and to ensure co-ordination where more than one audit firm is involved;

- d. to develop and implement policy on engaging the external auditors 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;
- e. to review and monitor integrity of the Company’s interim and annual financial statements, reports and accounts, 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 requirements under the Listing Rules and legal requirements in relation to financial reporting,

and regarding the above, members of the Committee should liaise with the Board and senior management and 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 of the Company;

- f. to review the Company’s financial controls, risk management and internal control systems at least annually and the review should cover all material controls, including financial, operational and compliance controls;
- g. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and such discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting, internal audit and financial reporting functions;

- 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. to review the internal audit programme, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function has adequately resources 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 auditors' management letter;
- m. to report to the Board on the matters set out herein and, in particular, the matters required to be performed by the Committee under the Listing Rules;
- n. to review whistleblowing policy(ies) or arrangements established for 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;
- o. to act as the key representative body for overseeing the Company's relations with the external auditor;
- p. to oversee, monitor and observe the Company's corporate governance matters;
- q. to produce and approve disclosure statements in relation to the Committee and its work as required by applicable laws and rules where necessary; and
- r. to consider other topics, as defined by the Board from time to time.

12. REPORTING RESPONSIBILITIES

- 12.1 The Chairman shall, at appropriate time intervals, report formally to the Board at the regular meetings of the Board on all matters within the Committee's duties and responsibilities.
- 12.2 The Committee shall make recommendations to the Board that it deems appropriate on any area within its remit where action or improvement is needed.

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

13. OTHERS

- 13.1 The Committee shall have access to sufficient resources in order to discharge its duties. In the event that the Committee determines that it has insufficient resources, it may make a request for additional resources to the CFO. If the request for additional resources is denied, the Committee may, if it chooses, make a request to the Board through the company secretary of the Company. The Board shall convene a Board meeting as soon as reasonably practicable to consider the request.
- 13.2 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.
- 13.3 In the event that the Committee or any members of the Committee require access to independent professional advice in connection with its/his/her duties, the Committee or its member(s) may make a request. All such requests shall be processed in accordance with the Company's pre-defined guidelines for seeking independent professional advice.
- 13.4 At the expense of the Company, every newly appointed member(s) of the Committee shall be given a comprehensive, formal and tailored induction on the first occasion of his/her appointment, and subsequently such briefing and professional development as is necessary, to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities as a member of the Committee.
- 13.5 Every member of the Committee shall give sufficient time and attention to his/her duties as a member of the Committee. He/she shall give the Company the benefit of his/her skills and expertise through regular attendance and active participation.
- 13.6 The Committee shall, from time to time, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

14. AUTHORITY AND AMENDMENT

- 14.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it reasonably requires from any officer or executive of the Company and all officers and executives are directed to co-operate with any reasonable request made by the Committee.
- 14.2 Any change to these terms of reference shall be subject to the approval of the Board.

15. REVIEW

15.1 The Committee should review these terms of reference from time to time as appropriate and recommend to the Board any necessary changes.

(If there is any inconsistency between the English version and the Chinese version, the English version shall prevail.)

Adopted by the Board on 15 May 2018 (as revised on 4 January 2019).