



**HENGXIN TECHNOLOGY LTD.**  
**亨鑫科技有限公司\***  
(the “Company”)

**AMENDED AND RESTATED TERMS OF REFERENCE  
OF AUDIT COMMITTEE**

The Audit Committee (the “AC” or the “Committee”) of Hengxin Technology Ltd. (the “Company”) has been established by a resolution of the board of directors (the “Board”) of the Company passed on 2 May 2006, in accordance with Section 201B of the Companies Act (Chapter 50) of Singapore (the “Act”).

The Committee shall be empowered and function as required by the provisions of Section 201B of the Act and be guided by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The role of the Committee is to assist the Board with discharging its responsibility to:-

- safeguard the Company’s assets;
- maintain adequate accounting records; and
- develop and maintain effective systems of internal control.

The overall objective of the Committee is to ensure that the management (the “Management”) of the Company has created and maintained an effective control environment in the Company, and that Management demonstrates and stimulates the necessary aspect of the internal control structure among all parties.

As a sub-committee of the Board, the Committee provides a channel of communication between the Board, Management, the internal auditors and external auditors, on matters arising out of the internal and external audits.

The terms of reference proposed for the Committee are annexed hereto as the Appendix A.

\* For identification purpose only

## TERMS OF REFERENCE FOR AUDIT COMMITTEE

### 1. MEMBERSHIP

- 1.1 The Committee shall be appointed by the Board from amongst its members, and shall comprise at least three (3) members.
- 1.2 All members shall be non-executive directors (the “**Director(s)**”) of the Company, a majority of whom shall be independent.
- 1.3 Members shall be appropriately qualified to discharge their responsibilities. At least one (1) member shall have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.
- 1.4 The chairman of the Committee (the “**Chairman**”) shall be elected by the members of the Committee and shall be an independent non-executive Director.
- 1.5 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Company’s audit committee for a period of one (1) year commencing on 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.
- 1.6 An independent member shall immediately notify the company secretary (the “**Company Secretary**”) of any change in circumstances that may result in him not being able to meet the criteria for independence.

The Board may, after considering the change in circumstances, require the resignation of the member, in compliance with provisions of the Companies Act and the AC’s terms of reference.

The Board may, as a result of the resignation, re-constitute the Committee before the next scheduled meeting.
- 1.7 A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least one (1) month’s notice.
- 1.8 The office of a member shall become vacant upon the member’s death/resignation/retirement/removal or disqualification as a Director of the Company.
- 1.9 If for any reason, the total number of members shall fall below three (3), the Board shall within two (2) months and in any case, no later than three (3) months, of such occurrence, appoint such number of new members so that the total number of members is at least three (3).

1.10 New Committee members shall receive an induction covering the Audit Committee's Terms of Reference, and be provided with an overview of the Company's internal control system and risk management system.

1.11 The AC should be provided with sufficient resources to perform its duties.

## 2. ADMINISTRATION

### 2.1 Meetings

- a) The meetings of the Committee may be conducted by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means and the minutes of such a meeting signed by the Chairman shall be conclusive of any meeting conducted as aforesaid.
- b) Meetings shall be held at least four times a year.
- c) The external auditors or internal auditors may request a meeting if they consider that a meeting is necessary.
- d) The Committee may invite the following persons to attend its meetings:
  - Chairman of the Board
  - Other non-executive Directors
  - Chief financial officer/finance director/finance manager
  - Internal auditors
  - Representative of external auditors
  - Chief executive officer/Chief operating officer
  - And other person deemed necessary
- e) The Committee shall have full discretion to invite any Director or Management to attend its meetings.
- f) The secretary of the Committee (the "**Secretary**") shall be the Company Secretary or his authorised representatives.
- g) The Secretary shall attend all meetings and shall minute the proceedings thereof.
- h) The Secretary shall keep the minutes of all meetings of the Committee.

- i) Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting. Such minutes of all meetings shall be confirmed by the Chairman of the meeting. If the Chairman so decides, the minutes shall be circulated to other members of the Board. Any Director may, provided that there is no conflict of interest and with the agreement of the Chairman, obtain copies of minutes of Committee meetings.
- j) The notice of each meeting of the Committee, confirming the venue, date and time and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Committee as and when practicable prior to the date of the meeting.

## 2.2 Quorum

The quorum shall be two (2) members, including at least one independent non-executive director.

## 2.3 Voting

A resolution shall be considered passed if:-

- a) there is a majority of votes passed in favour of the resolution during a meeting of the Committee, or
- b) there is agreement in writing by a majority of members entitled to participate in the decision.

In the event of an equality of votes, the Chairman shall have a casting vote.

Any member who has an interest in any matters being reviewed or considered by the Committee shall abstain from voting on the matter.

## 3. AUTHORITY

The AC is authorised by the Board to:

- **Annually review** its Terms of Reference and its own effectiveness and recommend any necessary changes to the Board when the need arises due to changes in the relevant rules or when there are changes in the Company's structure, organisation and/or operations which affect the matters set out in the Terms of Reference
- **Assist the Board** in fulfilling its monitoring responsibilities by investigating any activity within its Terms of Reference
- **Seek any information** that it requires from any employee of the Company within its Terms of Reference

- **Have direct and unrestricted access** to the representatives of the external auditors and the internal auditors
- **Meet with any relevant person** of the Company without the presence of Management
- **Obtain independent professional advice** at the Company's expense whenever deemed necessary
- **The AC has the power to investigate** any matter within its terms of reference, with full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly

#### 4. DUTIES

The duties of the Committee shall include:

##### 4.1 Overseeing financial reporting

4.1.1 The AC shall:

- **Monitor the integrity** of the Company's financial information (including annual reports and accounts and interim reports and quarterly reports), in particular by reviewing the relevance and consistency of the accounting standards used by the Company (i.e. entity level) and its group (i.e. consolidation level) and to review significant financial reporting judgements contained in them
- **Assess, and challenge**, where necessary, the correctness, completeness, and consistency of financial information (including annual reports and interim reports) before submission to the Board for approval or made public, focusing in particular on:
  - a) Major judgmental areas
  - b) Any changes in accounting policies and practices
  - c) Decisions requiring a significant element of judgment
  - d) The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
  - e) Clarity of disclosures
  - f) Significant adjustments resulting from the audit
  - g) Going concern assumption and any qualifications
  - h) Compliance with the accounting standards

- i) Compliance with the Listing Rules and other legal requirements in relation to financial reporting
- j) Significant financial reporting issues
- k) Other topics at the request of the Board

4.1.2 To review any formal announcements relating to the Company's financial performance.

4.1.3 To 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, and should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors.

4.1.4 To discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors and the internal auditors where necessary.

#### **4.2 Overseeing internal control (including risk management if delegated by the Board)**

- a) **Assess the effectiveness of the internal control** (including risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks (including those relating to compliance with existing legislation and regulation), periodically as and when required at least once a year in compliance with Appendix 14 of the Code of Corporate Governance of the Listing Rules. To discuss the internal control system with the management to ensure that the Management has performed its duty to have an effective internal control system. 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. [Note: The Board retains the responsibility for the review of the effectiveness of the system of internal control, and must form its own opinion despite aspects of the review being delegated to the AC.]
- b) **Where there is a Risk Committee, to coordinate** with the Risk Committee on its oversight on financial reporting matters
- c) **Review the Company's financial controls, internal control and risk management systems.**
- d) **Consider any major investigations on internal control matters as delegated by the Board or on its own initiative and Management's response to these findings**

- e) **Review the statements included in the annual report** on the Company's internal controls and risk management framework (if delegated by the Board)
- f) **Review the group's financial and accounting policies and practices**
- g) **Review Management's and the internal auditors' reports** on the effectiveness of the systems for internal control, financial reporting, and risk management
- h) **Review the Company's procedures** for detecting fraud and whistleblowing, and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, internal control, or any other matters
- i) **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
- j) **Ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter**
- k) **Report to the Board on the above matters.**

### 4.3 Overseeing internal and external audit processes

#### 4.3.1 Internal Audit

- a) **Monitor and assess** the role and effectiveness of the internal audit function in the overall context of the Company's risk management system
- b) **Ensure that the internal audit function is adequately resourced** and skilled in line with the Company's nature, size, and complexity
- c) **Ensure an adequate budget** is allocated to the internal audit function, assuring its proper functioning
- d) **Review the internal audit program** with regard to the complementary roles of the internal and external audit functions
- e) **Receive the internal audit reports** or a periodic summary thereof
- f) **Receive a report** on the results of the internal auditors' work on a periodic basis
- g) **Review and monitor Management's responsiveness** to the internal auditors' findings and recommendations

- h) **Ensure that the internal auditors** has direct and unrestricted access to the Chairman of the Board and the AC
- i) **Participate in the selection** and approve the appointment or dismissal of the internal auditors
- j) **Assess the performance** and determine the remuneration of the internal auditors, within the Company's guidelines
- k) **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

#### *4.3.2 External Audit*

- a) **To act as the key representative body for overseeing the Company's relations** with the external auditors
- b) **In connection with the terms of engagement to the external auditors, to make recommendations to the Board** on the selection, appointment, reappointment, resignation and removal of the external auditors based upon a thorough assessment of the external auditors' functioning, and approve the remuneration and Terms of Engagement of the external auditors and any questions of its resignation or dismissal. This proposal should be submitted to the general meeting of shareholders for approval when there is a change of external auditors. Where the Board disagrees with the AC's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the AC explaining its recommendation and also the reason(s) why the Board has taken a different view.
- c) **Review the audit fees** and recommend it for approval by the Board
- d) **Monitor and assess** the external auditors' independence. Steps to consider include:
  - **Seeking reassurance that the auditors and their staff** have no family, financial, employment, investment, or business relationship with the Company and its group (other than in the normal course of business), based on a forwarded report by the external auditors
  - **Seeking from the audit firm**, on an annual basis, information about policies and processes for maintaining independence and monitoring the external auditors' compliance with relevant regulatory



requirements (e.g. audit partner's rotation requirements, level of fees the Company pays in proportion to the overall income of the firm, etc.)

- **Meeting with the auditor**, at least annually, in the absence of Management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise
  - **Agreeing with the Board** and monitoring the Company's policy for the employment of former employees of external auditors
- e) **To develop and implement policy on engaging external auditor to supply non-audit services** to ensure the external auditors' independence or objectivity is not impaired. 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. In doing so, the AC will:
- Set and apply a formal policy specifying the types of non-audit services: (a) from which the external auditors are excluded; (b) for which the external auditors can be engaged without referral to the AC; (c) for which a case-by-case decision is necessary by the AC
  - Consider whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services
  - Ensure safeguards are in place to provide assurance that the external auditors' objectivity and independence is not impaired when performing non-audit services
  - Consider the nature of the non-audit service and the related fee levels (both individually and in aggregate) relative to the audit fee
  - report to the Board, identifying and making recommendations on any matters where action or improvement is needed

- f) **Assess, at the end of the audit cycle**, the effectiveness of the audit process in accordance with applicable standards by:
- discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences
  - Reviewing the external auditors' findings arising from the audit (including any issues that have subsequently been resolved), giving particular considerations to the key accounting and audit judgments (including why certain errors might remain unadjusted), the level of errors identified during the audit, and the explanation obtained from Management
  - Reviewing whether the auditors have met the agreed audit plan, and understanding the reasons for any changes, including changes in perceived audit risks, and the work undertaken by the external auditors to address those risks
  - Assessing the auditors' accuracy in their handling of the key accounting and identifying audit judgments, their response to questions from the AC, and their commentary on the systems of internal control
  - Obtaining feedback about the conduct of the audit from Management
- g) **Review the audit representation letters** before consideration by the Board, giving particular consideration to matters that related to nonstandard issues
- h) **Review the content of the external auditors' Management letter** in order to assess whether it is based on a good understanding of the Company's business, and monitor the responsiveness of Management to the recommendations made (or the reasons why they have not been acted upon), and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter
- i) **Ensure that the external auditors have direct and unrestricted access to the Chairman of the AC and the Chairman of the Board**

#### **4.4 Discharging oversight responsibility on Continuing Connected Transactions (CCT)**

- a) **Review CCTs** to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders

- b) **Consider the need for a general mandate** for CCTs
- c) **Appoint an independent financial adviser** to advise on a general mandate
- d) **Where a general mandate is being renewed, consider whether the methods or procedures for determining the transaction prices** are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders
- e) **Direct Management to present** the rationale, cost-benefit analysis and other details relating to CCTs subject to a specific mandate
- f) **Consider the need for independent advisers** to advise on CCTs subject to specific mandates
- g) **Receive reports from Management** and internal auditors on CCTs
- h) **Report to minority shareholders on its recommendations** on general and specific mandates

#### **4.5 Fraud/Irregularity/Investigation**

- a) To review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response.
- b) To review arrangements staff of the Company can use, in confidence, to raise concerns about possible improprieties in matters of financial reporting, internal controls or other matters and ensure that proper arrangements are in place for fair and independent investigations of these matters and for appropriate follow up actions.

#### **4.6 Others**

- a) To undertake such other reviews and projects as may be requested by the Board.
- b) To undertake such other functions and duties as may be required by statute or the Listing Rules, and by such amendments made thereto from time to time.

### **5. REPORTING**

- a) The AC shall report regularly to the Board on the exercise of its duties, and on the outcome of its reviews and discussions with the external auditors and its findings on any suspected fraud or irregularity, or suspected infringement of any Singapore law, the Listing Rules, rules or regulations, which has or is likely to have a

material impact on the operating results or financial position of the Company as well as identifying those matters which it considers any necessary action or improvement, and making recommendations as to the step to be taken.

- b) The AC shall, after each Committee meeting, send the Board a report on its findings and recommendations.

## **6. ATTENDANCE AT GENERAL MEETING**

The Chairman (or in his absence, an alternate member) of the AC shall attend the General Meetings of the Company and be prepared to answer questions falling within the scope of the AC.

## **7. REMUNERATION**

Having regard to the functions performed by members of the AC in addition to their functions as Directors in relation to the activities of the AC and pursuant to the specific power conferred upon the Board by the Articles of Association of the Company, members of the AC may be paid such special remuneration in respect of their appointment and in such manner as shall be fixed by the Board.

Amendments to the Terms of Reference shall be submitted to the Audit  
Committee  
for consideration and tabled at the Board meeting for approval.

Revised/Approved and adopted by the Audit Committee on 22 February 2012.