

# SEM Holdings Limited

## 澳達控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9929)**

### TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

#### I. CONSTITUTION

1. The board (the “**Board**”) of directors of SEM Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) (the “**Directors**”) has resolved to establish a committee of the Board known as the audit committee (the “**Committee**”) on 22 January 2020.

#### II. MEMBERSHIP

2. The members of the Committee shall be appointed by the Board from time to time amongst the non-executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive Directors (the “**INEDs**”).
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 Stock Exchange of Hong Kong Limited (the “**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.

#### III. CHAIRMAN

5. The chairman (the “**Chairman**”) of the Committee shall be appointed by the Board and must be an INED.

#### **IV. SECRETARY**

6. The company secretary (the “**Company Secretary**”) of the Company shall be the secretary of the Committee. In the absence of the Company Secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Committee, shall attend the meeting of the Committee and take minutes.

#### **V. ATTENDANCE AT MEETINGS**

7. The quorum for meetings of the Committee shall be any two members (at least one of whom should be an INED).
8. 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 external and internal auditors separately without executive Directors or management being present.

#### **VI. FREQUENCY AND PROCEEDINGS OF MEETINGS**

9. Meetings of the Committee shall be held not less than twice a year. The Chairman shall convene a meeting upon request by any member of the Committee. The external auditors may request a meeting if they consider that one is necessary.
10. The meetings and proceedings of the Committee are governed by the provisions contained in the articles of association of the Company for regulating meetings and proceedings of the Board.
11. Members of the Committee may attend meetings of the Committee either in person or through other electronic means of communication or in such other manner as the members may agree.

#### **VII. NOTICE OF MEETINGS**

12. Unless otherwise agreed by all the members of the Committee, notice (containing details of the venue, time and date of the meeting) of at least 7 days shall be given for a regular meeting of the Committee. For all other meetings of the Committee, reasonable notice shall be given.
13. Notice of meeting may be given either orally or in writing by way of telephone, facsimile or other electronic means.
14. Agenda and accompanying supporting papers shall be sent to all members of the Committee and to other invited attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).

15. Senior management should be responsible for providing sufficient information to the Board and the Committee in a timely manner to facilitate the making of informed decisions. The information supplied must be complete and reliable. Where more detailed and complete information is requested from the senior management, the respective Director shall make further inquiries if required. The Board or individual Director(s) could contact the senior management individually and independently.

## **VIII. RESOLUTIONS IN WRITING**

16. 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.

## **IX. ANNUAL GENERAL MEETINGS**

17. The Chairman (or in his absence, another member of the Committee or failing this his duly appointed delegate) shall attend the Company's annual general meetings and be prepared to respond to any shareholders' questions on the Committee's activities.
18. If the Chairman is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any shareholders' questions on the Committee's activities.

## **X. AUTHORITY**

19. The Committee is authorised by the Board to perform any activity within these terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with the Committee.
20. The Committee is authorised by the Board to obtain, at the Company's expense, external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Committee shall be provided with sufficient resources to perform its duties. The Committee shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Committee.

## **XI. DUTIES**

21. The duties of the Committee shall include:

### **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 to consider any questions of 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 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;
- (d) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure proper coordination where more than one audit firm is involved;
- (e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of senior management where necessary);

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

- (f) to review and monitor the integrity of the Company's financial statements, annual reports and accounts and half-year 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;
- (g) Regarding (f) 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 auditors; 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 auditors;

**Oversight of the Company's financial reporting system and internal control procedures**

- (h) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or the Board itself, to review the Company's internal control and risk management systems;
- (i) 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;
- (j) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (k) 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;
- (l) to review the Group's financial and accounting policies and practices;
- (m) 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;

- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) to report to the Board on the matters in these terms of reference;
- (p) 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;
- (q) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (r) establishing a whistleblowing policy and system for employees and those who deal with the Group (e.g. customer and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Group; and
- (s) to consider other topics, as defined by the Board.

22. The Committee shall report to the Board any suspected frauds and irregularities, failure of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

## **XII. DISAGREEMENT AS TO EXTERNAL AUDITORS**

23. In the event the Board disagrees with the Committee on the selection, appointment, resignation or dismissal of the external auditors, the Committee shall provide a statement explaining its recommendations to the Company and also the reason(s) why the Board has taken a different view for inclusion in the corporate governance report issued by the Company in accordance with Appendix 14 of the Listing Rules.

### **XIII. REPORTING PROCEDURES**

24. Full minutes of the Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary or a duly appointed representative). The minutes shall be made available for inspection at any reasonable time on reasonable notice by any member of the Committee or the Board. Minutes of meetings of the Committee should record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by the Directors, members of the Committee or dissenting views expressed. Draft and final versions of minutes of such meetings, or as the case may be, written resolutions of the Committee, shall be circulated to all members of the Committee for their comment and records respectively, within a reasonable time after such meetings or before passing of the written resolutions.
25. Without prejudice to the generality of the duties of the Committee set out in these terms of reference, the Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on it to do so.
26. The Committee should evaluate its own performance, these terms of reference and its membership annually to ensure it is performing its duties effectively, and recommend to the Board any changes it considers necessary.

### **XIV. POWERS OF THE BOARD**

27. The Board may, subject to compliance with the articles of association of the Company and the Listing Rules, amend, supplement and revoke these terms of reference.
28. The power to interpret these terms of reference shall vest in the Board.

### **XV. PUBLICATION OF THE TERMS OF REFERENCE**

29. The Committee should provide these terms of reference by publishing them on the websites of the Company and The Stock Exchange of Hong Kong Limited.

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