



E Lighting Group

E Lighting Group Holdings Limited

壹照明集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 08222)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1. ORGANIZATION

The board (the “**Board**”) of directors of the Company (the “**Directors**”) has resolved to set up an audit committee (the “**Committee**”).

2. COMPOSITION

2.1 The shall comprise non-executive Directors of the Company only and a minimum of three members, a majority of whom shall be independent non-executive Directors. Members of the Committee shall be appointed by the Board. At least one member of the Committee must be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

2.2 The chairman of the Committee, who must be an independent non-executive Director of the Company, shall be appointed by the Board.

3. OBJECTIVE

The main objective of the Committee is to be responsible for the relationship with the Company’s auditors, review of the Company’s financial information and monitoring of the Company’s financial reporting system and internal control procedures. The Committee is accountable to the Board.

4. SECRETARY

Save as otherwise appointed by the Committee, the secretary to the Committee shall be the secretary to the Company.

5. MEETINGS

5.1 The Committee shall meet at least twice every year. Additional meetings may be convened by the chairman of the Committee as and when necessary.

5.2 The quorum of a meeting shall be two members of the Committee.

- 5.3 Proceedings of meetings of the Committee shall be governed by the provisions of the articles of association of the Company as amended from time to time.
- 5.4 Unless otherwise agreed by all the members of the Committee, a meeting shall only be called with at least seven (7) days' prior notice.
- 5.5 For regular Committee meetings, and so as far as practicable in all other cases, an agenda and accompanying papers should be sent, in full, to all members of the Committee and the Directors. These should be sent in a timely manner and at least three (3) days before the intended date of the Committee meeting (or such other agreed period as agreed).
- 5.6 At all times the members of the Committee shall be notified of and be invited to all meetings of the Committee and may attend all the meetings of the Committee.
- 5.7 Members of the Committee may participate in a meeting of the Committee by means of a conference telephone or other communications equipment through which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.
- 5.8 The Company's chief financial officer, head of internal audit and representative of the external auditors shall be required to attend Committee meetings in general. Further, the Committee shall hold at least one meeting annually with the Company's external and internal auditors in the absence of the management of the Company.

6. COMMITTEE'S RESOLUTIONS

A resolution in writing signed by all the members of the Committee shall be as valid and effective as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of Committee. Such resolution may be signed and circulated by facsimile or other forms of electronic communications. This provision is without prejudice to any requirement under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") for a meeting of the Board or Committee to be held.

7. DUTIES

The duties of the Committee shall include:

Relationship with the Company's external auditors:

- (a) to be primary responsible for making recommendations 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 auditor, and any questions of resignation or dismissal of the external auditor;

- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. 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 the engagement of the external auditors to supply non-audit services. For this purpose, "external auditors" shall include any entity that is under common control, ownership or management with the audit firm or any 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- (d) to monitor integrity of the Company's financial statements, the annual reports and accounts, half-year reports and quarterly reports and to review significant financial reporting judgments contained in the reports. In reviewing the annual reports and accounts, half-year report and quarterly 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 the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
- (e) With regard to (d) above:
 - (i) members of the Committee must liaise with the Board and senior management and the Committee must meet, at least twice a year, with the external auditor of the Company; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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 the external auditor of the Company;

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

- (f) to review financial controls, internal control and risk management systems of the Company and its subsidiaries (the “**Group**”);
- (g) to discuss with the management the system of internal control and ensure that 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;
- (h) 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 to these findings;
- (i) to review the Company's statement on internal control systems (where one is included in the annual report) prior to the endorsement by the Board;
- (j) 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 Group, and to review and monitor its effectiveness;
- (k) to review the Group's financial and accounting policies and practices;
- (l) to review the external auditor's management letter, any material queries raised by the external auditors to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (n) to report to the Board on the matters set out in C.3.3 of the Corporate Governance Code and Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules;
- (o) to consider other topics, as defined by the Board;

Others

- (p) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board;
- (q) to conform to any requirements, direction and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation;

- (r) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and
- (s) to act as the key representative body for overseeing the Company's relation with the external auditor.

8. AUTHORITY

- 8.1 The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with any request made by the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 8.2 The Committee shall report to the Board any suspected frauds and irregularities, failures 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. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
- 8.3 The Committee is to be provided with sufficient resources to discharge its duties.

9. RESPONSIBILITY

- 9.1 The Committee is to serve as a focal point for communication between other Directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
- 9.2 The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits.

10. REPORTING PROCEDURES

- 10.1 The Committee should report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

- 10.2 Full minutes of meetings of the Committee shall be kept by the secretary to the Committee. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- 10.3 Copies of the minutes of meetings of the Committee shall be provided to the Board at its meetings.
- 10.4 The chairman of the Board should invite the chairman of the Committee to attend the annual general meeting. In his/her absence, the chairman of the Board should invite another member of the Committee or failing this his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

11. REVISION OF THE TERMS OF REFERENCE

- 11.1 These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in the GEM Listing Rules and other regulatory requirements in Hong Kong.

(Adopted by the Company pursuant to the Board's resolutions passed on 11 September 2014)