



NEW CONCEPTS HOLDINGS LIMITED

創業集團(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2221

Audit Committee Terms of Reference

New Concepts Holdings Limited (the “**Company**”) was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 19 September 2014.

In compliance with the code of provision of the Corporate Governance Code issued by the Stock Exchange, an audit committee (the “**Committee**”) should be established with the terms of reference as set out and adopted herein.

Constitution

1. The Committee was established by resolutions of the board of directors of the Company (the “**Board**” and each director of the Board, a “**Director**”) on 26 August 2014.

Membership

2. The members of the Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors and at least one of whom should be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).
3. The quorum of a Committee meeting shall be any two members of the Committee, one of whom must be an independent non-executive Director.
4. A former partner of the Company’s existing auditing firm shall 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 the later.

5. The chairman of the Committee shall be appointed by the Board and should be an independent non-executive Director.
6. The term of office of a member of the Committee shall be determined by the Board.

Attendance at meetings

7. The financial controller, the head of internal audit of the Company and representatives of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors without the executive Directors present.

Frequency and procedure of meetings

8. Unless otherwise stated herein, the meetings of the Committee are governed by the provisions regulating the meetings and proceedings of Directors in the Company's memorandum and articles of association.
9. Meetings shall be held not less than twice a year or more frequently if the Committee determines it to be necessary. The external auditors may request a meeting if they consider that one is necessary. Meetings may be conducted by way of telephone or other electronic means.
10. The secretary of the Committee shall be the company secretary of the Company or his/her appointed delegate.
11. An agenda and any accompanying Committee papers should be sent in full to all members of the Committee in a timely manner and at least three days before the proposed date of a meeting of the Committee (or other agreed period).
12. The Company is obliged to supply the members of the Committee with adequate information, in a timely manner, in order to enable them to make informed decisions. Where more detailed and complete information is requested from the senior management, the respective Director shall make further inquiries if needed. The Board or individual director(s) could contact the senior management individually and independently.

Annual General Meeting

13. The chairman of the Committee shall attend the Company's annual general meeting and be prepared to respond to any shareholder's questions on the Committee's activities.
14. If the chairman of the Committee 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 shareholder's questions on the Committee's activities.

Authority

15. The Committee is authorised by the Board to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. It is also authorised by the Board to investigate any activity mentioned in these Terms or otherwise affecting the integrity of the Company.
16. The Committee is authorised by the Board to obtain outside independent professional advice, at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external auditors who advise the Committee.

17. The Committee is authorised by the Board to review the effectiveness of the Company's and its subsidiaries' internal control systems, covering all material controls, including financial, operational and compliance controls and risk management functions including financial, business, operational and other risks of the Company and its subsidiaries to undertake any related investigations.

Duties

18. The duties of the Committee shall include:

Relationship with the Company's auditors

- (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and considering any questions of resignation or dismissal of that auditor;
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensuring co-ordination where more than one audit firm is involved;
- (d) developing and implementing 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;
- (e) reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (f) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss;

Review of financial information of the Company

- (g) monitoring the integrity of financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In reviewing these reports and 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 other legal requirements in relation to financial reporting;
- (h) regarding (g) above:
 - (i) liaising with the Board and the senior management;
 - (ii) meeting, at least twice a year, with the Company's auditors; and
 - (iii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and 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 risk management, financial reporting system and internal control procedures

- (i) reviewing the Company's financial controls, internal control and risk management systems;
- (j) discussing the internal control system with management to ensure that the management has performed its duties in establishing and maintaining an effective internal control system, including adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (k) considering the findings of major investigations on internal control matters as delegated by the Board or on its own initiative and the management's response to those findings;
- (l) where an internal audit function exists, ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- (m) reviewing the financial and accounting policies and practices of the Company and its subsidiaries and associated companies at the relevant time;
- (n) reviewing the external auditor's management letter, any material queries raised by the auditor to the senior management about accounting records, financial accounts or systems of control and the senior management's response;
- (o) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) monitoring the planning of internal audit processes and overseeing the result of the work of the internal audit function;
- (q) reporting to the Board on the matters set out in these Terms;
- (r) establishing a whistle-blowing policy and other means that employees and those who deal with the Company can use, in confidence, to raise concerns about possible improprieties in any matters related to the Company and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- (s) acting as the key representative body for overseeing the Company's relation with its external auditor;
- (t) considering any other topics, as determined by the Board.

Post-Audit Review Activities

- 19. In connection with or following the completion of its review of the external audit and internal audit, the Committee or its chairman may in their discretion meet with the external auditor, internal auditors or financial controller to discuss any changes required in the audit plans for future periods and any other appropriate matters regarding the audit process.

Failure to reach an agreement regarding external auditors

- 20. Where the Board has taken a different view from the Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Committee shall submit a statement to the Company explaining its recommendation, which statement will be disclosed by the Company in the Corporate Governance Report in accordance with Appendix 14 of the Listing Rules.

Reporting procedures

- 21. Minutes of the Committee's meetings should be kept by the secretary of the Committee. The minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
- 22. 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 or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
- 23. Without prejudice to the generality of the duties of the Committee set out above, 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 doing so.

Provision of Terms

- 24. The Committee should provide these Terms upon request and upload it to the Stock Exchange's website and the Company's website to explain the duties of the Committee and the authority the Board has granted to it.

Approval of Disclosure Statements

- 25. The Committee shall be responsible for approving all disclosure statements in relation to the Committee, including but not limited to relevant disclosure statements in annual reports, interim reports and information uploaded on the Stock Exchange's website and the Company's website.

Review of Terms

26. The Committee shall review these Terms annually, and may consider and submit to the Board any proposed changes that the Committee deems appropriate or advisable.