

Haichang Holdings Ltd.
海昌控股有限公司
(the “Company”)

AUDIT COMMITTEE – TERMS OF REFERENCE

Constitution

1. The Audit Committee (the “Committee”) was established by the board of directors of the Company (the “Board”) on February 23, 2014.

Membership

2. The Committee members shall consist of not less than three non-executive directors with a majority of independent non-executive directors. The Chairman of the Committee shall be an independent non-executive director. At least one of the independent non-executive directors shall possess appropriate professional qualification, accounting or related financial management expertise. Quorum for a meeting shall not be less than two members.
3. The company secretary of the Company or such person appointed by the Committee shall act as the secretary of the Committee.

Duties

4. Duties of the Committee shall include the followings:
 - 4.1 Relationship with the external auditor
 - (a) to make 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 deal with any issues of its resignation or dismissal;
 - (b) to review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit process commences;
 - (c) to monitor the compliance of the Company’s policy on the engagement of the external auditor for the performance of non-audit services and the hiring of employees or former employees of the external auditor;

- (d) to act as the key representative body for overseeing the relationship between the Company and the external auditor;

4.2 Financial information for public disclosure

- (a) to monitor the completeness of the Company's interim and annual reports and financial statements, and to review significant financial reporting judgments contained in the reports and statements before recommending them to the Board for approval, with particular emphasis on:
 - (i) any changes in the accounting policies and practice of the Company and its subsidiaries (the "Group");
 - (ii) major judgmental areas (including those in the representation letter from the Company to the external auditor);
 - (iii) significant account adjustments resulting from the audit process;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting and auditing standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (b) to consider any significant or unusual items that are, or should be, reflected in the reports and financial statements and give due consideration to any matters and reservations that have been raised by the staffs of the Company who are responsible for the accounting and financial reporting functions, the Chief Compliance Officer of the Group and internal and external auditors;

4.3 Monitoring of the financial reporting system and internal control procedures

- (a) to review the Company's financial control, internal control and risk management systems;
- (b) to discuss the internal control system with the management to ensure that the management has performed its duty to establish an effective internal control system. Such discussion should include the adequacy of resources, employees' qualifications and experience in accounting and financial reporting functions, and training programmes for employees and its budget;
- (c) to consider major investigation findings on internal control matters and the management's response to these findings, either on its own initiative or at the request of the management;
- (d) to ensure co-ordination between the internal and external auditors, that the internal audit function is adequately resourced and has appropriate standing

within the Company and to review and monitor its effectiveness (including the internal audit plans and procedures);

- (e) to review the Group's financial and accounting policies and practice;
- (f) to review the external auditor's letter to the management, any material queries raised by the auditor to the management with respect to accounting records, financial accounts or control systems and the management's response to such queries;
- (g) to ensure that the Board shall provide a timely response to the issues raised in the external auditor's letter to the management;

4.4 Corporate governance functions

- (a) to monitor the Company's corporate governance and to report to the Board on the Company's compliance with the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules;
- (b) to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- (c) to review and monitor the Company's policies and practice on compliance with the legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and business ethics for the directors and employees of the Company;

4.5 General

- (a) to consider other matters, as defined by the Board.

5. The Committee shall review and ensure proper arrangements are in place for the employees of the Company to confidently report possible improprieties in relation to financial reporting, internal control or other matters, so that such matters can be investigated fairly and independently and be followed up properly.

Attendance at Meetings

- 6. The Company's management in charge of accounting and financial reporting functions/Group Chief Compliance Officer/Head of Corporate Governance Division (Internal Audit)/representatives of the external auditor/company secretary of the Company or designated staff may attend meetings by invitation.
- 7. Separate meetings (at least twice a year) should be held between the Committee

and the external auditor for discussion of the Company's matters.

Number of Meetings

8. The Committee shall meet not less than three times per annum.

Authority

9. The Committee is authorized by the Board to investigate any activity in accordance with its terms of reference. The Committee is authorized to seek any information it requires from any employee and all employees are required to co-operate with any requests made by the Committee.
10. The Committee is authorized by the Board to obtain legal or other independent professional advice and to secure the attendance of persons with relevant experience and professional knowledge at its meetings if the Committee considers necessary.

Reporting Procedures

11. The secretary shall circulate the full minutes of all meetings of the Committee and, when requested by the Chairman of the Committee, a summary of its major findings to all members of the Board within a reasonable time.
12. In the event that the Chairman of the Committee is unable to attend the shareholders' annual general meeting of the Company, a member of the Committee shall attend and answer questions in relation to internal control, risk management and financial reporting matters.