



HARBOUR DIGITAL

Harbour Digital Asset Capital Limited

港灣數字產業資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 913)

TERMS OF REFERENCE OF AUDIT COMMITTEE

(adopted on 29 March 2012 and revised on 31 December 2015)

1. Purpose

The audit committee (the “**Audit Committee**”) is to assist the board of directors (the “**Board**”) of Harbour Digital Asset Capital Limited (the “**Company**”) for oversight of and advice to the Board on matters relating to financial reporting, internal control principles, risk management and for maintaining an appropriate relationship with the Company’s auditor(s).

2. Membership

2.1 The Audit Committee shall consist of a minimum of three (3) members (the “**Member(s)**”) appointed by the Board from time to time and confine to non-executive directors of the Company.

2.2 A majority of the Members shall be independent non-executive directors of the Company (“**INED(s)**”) and at least one INED must be with 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**”) (as amended from time to time).

2.3 The Board shall appoint the chairman of the Audit Committee (the “**Chairman**”) who must be an INED.

2.4 The Board may from time to time appoint additional Members to the Audit Committee from among the non-executive directors of the Company, subject to the condition that the INEDs shall constitute the majority of the Audit Committee and be the Chairman.

3. Secretary

3.1 The company secretary of the Company (the “**Company Secretary**”) shall be the secretary of the Audit Committee.

3.2 Notwithstanding any other provisions in this terms of reference, the Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

4. Meetings and Quorum

- 4.1 The Audit Committee shall meet at least twice a year, representatives of the Company's external auditor(s) will meet the Audit Committee without any executive directors of the Company being present, except by invitation of the Audit Committee.
- 4.2 Meetings of the Audit Committee shall be convened by the secretary of the Audit Committee at the request of any of its Members or at the request of external auditor(s) of the Company if they consider that one is necessary.
- 4.3 A quorum of the Audit Committee shall be two (2) Members.
- 4.4 The Chairman (or in his or her absence, a Member designated by the Chairman) shall preside at all meetings of the Audit Committee. In the absence of the Chairman or a Member designated by the Chairman, the remaining Members present shall elect one of their Members (who shall be an INED) to chair the meeting.
- 4.5 Only Members are entitled to vote at the meeting of the Audit Committee.
- 4.6 The Audit Committee shall have full access to management of the Company and may invite members of management of the Company or others to attend its meetings. At the invitation of the Audit Committee, the following persons may attend the meeting:
- (i) the chief financial officer of the Company (or any officer(s) assuming the relevant functions but having a different designation);
 - (ii) the representatives of the external auditor(s) of the Company shall normally attend meetings of the Audit Committee;
 - (iii) where an internal audit function exists, the head of internal audit or representatives from internal audit shall normally attend meetings of the Audit Committee;
 - (iv) other members of the Board; and
 - (v) other persons in order to answer specific points or concerns of the Audit Committee.

5. Annual General Meeting

The Chairman (or in his or her absence, a Member designated by the Chairman) shall endeavor to attend the annual general meeting of the Company and be prepared to respond to questions from shareholders of the Company on the Audit Committee's activities and its responsibilities.

6. Role and Authority

- 6.1 The Audit Committee is to serve as a focal point for communication between other directors, the external auditor(s) and internal auditors (where an internal audit function exists) of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines and other matters as required under the Listing Rules from time to time.
- 6.2 The Audit 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 Company and its subsidiaries (the “**Group**”).
- 6.3 All Members shall have access to the advice and services of the Company Secretary, and separate and independent access to the Company’s senior management for obtaining necessary information.
- 6.4 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and all employees are directed to co-operate with any request made by the Audit Committee.
- 6.5 The Audit Committee is authorised by the Board to obtain, at the Company’s expense, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
- 6.6 The Audit Committee shall be provided with sufficient resources to discharge its duties.

7. Duties and Responsibilities

The duties and responsibilities of the Audit Committee include:

- 7.1 Relationship with external auditor(s) of the Company, including:
 - (i) to be primarily responsible for making recommendation 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 any questions of resignation or dismissal of the external auditor;
 - (ii) to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and

- (iii) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor 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 concludes as part of the audit firm nationally or internationally. The Audit Committee should report to the Board, indentifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

7.2 Review of financial information of the Company, including:

- (i) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the Audit Committee should focus particularly on:
- any changes in accounting policies and practices;
 - major judgmental areas;
 - any significant adjustments resulting from audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and
 - compliance with the Listing Rules and other legal requirements in relation to financial reporting.
- (ii) in regard to 7.2(i) above:
- Members must liaise with the Board, senior management and chief financial officer of the Company (or any officer(s) assuming the relevant functions but having a different designation) and the head of internal audit, where an internal audit function exists;
 - the Audit Committee must meet, at least twice a year, with the Company's auditor(s); and
 - the Audit Committee shall 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 auditors.

- 7.3 Oversight of the Company's financial reporting system, risk management and internal control systems, including:
- (i) to review the Company's financial reporting, financial controls, and unless expressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
 - (ii) to discuss with the management the systems of risk management and internal control and ensure that management has discharged its duty to have effective systems; including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;
 - (iii) to consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
 - (iv) where an internal audit function exists, to ensure co-ordination between the internal and external auditor(s), and to ensure that the internal audit function is adequately resourced and had appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
 - (v) to review the Group's financial and accounting policies and practices;
 - (vi) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
 - (vii) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - (viii) to report to the Board on the matters set out in this terms of reference;
 - (ix) 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 Audit 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
 - (x) to consider other topics in comply with the Listing Rules or as defined by the Board from time to time.

8. Reporting Procedures

- 8.1 The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.2 Minutes of meetings of the Audit Committee and the record of individual attendance at such meetings shall be prepared by the secretary of the Audit Committee which shall be sent to all Members and members of the Board as soon as practicable after the conclusion of any meeting of the Audit Committee.
- 8.3 Minutes of the Audit Committee meetings shall be kept by the Company Secretary.

9. Amendments

The Board may from time to time amend, repeal and/or re-enact all and any part of this terms of reference.

10. General

This terms of reference will be posted on both the websites of The Stock Exchange of Hong Kong Limited and the Company.

In the case of any inconsistency, the English text of this terms of reference shall prevail over the Chinese text.