



BIRMINGHAM SPORTS HOLDINGS LIMITED **伯明翰體育控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2309)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(Revised version adopted on 31 December 2018)

1. CONSTITUTION

The audit committee (the “Audit Committee”) of the board (the “Board”) of directors (the “Directors”) of Birmingham Sports Holdings Limited (the “Company”) is established pursuant to a resolution passed by the Board at its meeting held on 26 July 2007.

2. MEMBERSHIP

- The Audit Committee members shall be appointed by the Board and shall comprise Non-executive Directors only and shall consist of not less than three members, a majority of whom should be independent.
- At least one of the Audit Committee members shall be an Independent Non-executive Director with appropriate professional qualification or accounting or related financial management expertise as required under Rules 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of at least two (2) years from the date of his ceasing (whichever is later):
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm.
- The Chairman of the Audit Committee shall be appointed by the Board and should be an Independent Non-executive Director.
- The appointment of the Audit Committee members may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board and by the Audit Committee.

3. SECRETARY

- The Company Secretary shall be the secretary of the Audit Committee. In the absence of the secretary of the Audit Committee, members of the Audit Committee present at the meeting may elect among themselves or appoint another person as the secretary of that meeting.

4. ATTENDANCE AT MEETINGS

- Members of the Audit Committee may attend meetings of the Audit Committee either in person by telephone or through other electronic means of communication or in such other manner as the members may agree.
- The Chairman of the Audit Committee and a representative of the external auditors shall normally attend meetings.
- At the discretion of the Audit Committee, others (including other members of the Board, the internal auditor(s) and other managers) might be invited to attend meetings or parts of meetings.
- At least twice a year the Audit Committee shall meet with the external and internal auditors without executive Board members present.

5. QUORUM

- The quorum necessary for the transaction of the business of the Audit Committee shall be two members of the Audit Committee. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, power and discretions vested in or exercisable by the Audit Committee.

6. FREQUENCY OF MEETINGS

- Meetings shall be held at least twice a year. The external auditors may request a meeting if they consider that one is necessary.
- The external auditors may have access to the Chairman or any other member of the Audit Committee as required in relation to any matter falling within the remit of the Audit Committee.

7. NOTICE OF MEETINGS

- Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee, any other person required to attend, with reasonable notice, before the date of the meeting. Supporting papers shall be sent to Audit Committee members and to other attendees as appropriate, at the same time.

8. AUTHORITY

- The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Audit Committee.
- The Audit Committee will not be responsible for supervising the performance of executives (nor permitted to do so) and will not be required to become involved in day-to-day operations, management functions or decision-making.
- The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- The Audit Committee shall be provided with sufficient resources to perform its duties.

9. DUTIES

The duties of the Audit Committee shall be:

Relationship with external auditors

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and the terms of engagement of the external auditors; and any questions of its 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 standard. The Audit Committee should discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on an external auditor to supply non-audit services. For this purpose, "external auditors" 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 Audit Committee should report to Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to act as the key representative body for overseeing the Company's relations with the external auditors;

Review of the Company's financial information

- (e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the board, the Audit 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 Listing Rules and other legal requirements in relation to financial reporting;
- (f) Regarding (e) above:
 - (i) members of the Audit Committee should liaise with the Board, senior management and Financial Controllers and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such report and accounts, it should give due consideration to any matters that have been raised by the Financial Controllers, Company Secretary or auditors;

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

- (g) to review the Company's financial controls, internal control and risk management systems;
- (h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system;
- (i) to consider major investigations findings on internal control matters as delegated by the board or on its own initiative and management's response to these findings;
- (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 Company, and to review and monitor its effectiveness;
- (k) to review the group's financial and accounting policies and practices;

- (l) to review the external auditors' management letter, any material queries raised by the auditor to management about 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 paragraph C.3.3 of the Code on Corporate Governance in Appendix 14 to the Listing Rules (as amended from time to time);
- (o) to review and discuss the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (p) to monitor the compliance of the Whistle-blowing policy, and ensuring the fair and independent investigation and appropriate follow-up of such matters:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, financial reporting, internal control, auditing or other matters; and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting, financial reporting, internal control, auditing or other matters;
- (q) 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 and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

10. REPORTING PROCEDURES

- The Audit Committee shall report to the Board after each meeting.
- Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- Full minutes of Audit Committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the Audit Committee meetings should be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

This document has been translated into Chinese. In case of discrepancies between the English version and the Chinese version, the English version shall prevail.