

National Investments
National Investments Fund Limited
國盛投資基金有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1227)

AUDIT COMMITTEE

TERMS OF REFERENCE

Constitution

1. The Audit Committee (the “**Committee**”) shall be established as a committee of the Board.
2. The Scope of the Committee’s review shall not be restricted to activities at the “company” level, but shall be extended to activities at the “group” level, insofar as they fall within the duties of the holding company’s Board.

Membership and Quorum

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors of the Company. A quorum shall be two members, of whom one has to be an independent non-executive director of the Company (“**INEDs**”).
3. The chairman of the Committee shall be appointed by the Board and must be an INED.
4. At least one INED must have appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Committee for a period of two years commencing on the later of (a) the date of the person ceasing to be a partner of the firm; or (b) the date of the person ceasing to have any financial interest in the firm.

Secretary

5. The company secretary of the Company, or in his absence, his representative, shall act as the secretary of the Committee (the “**Secretary**”). The Committee may from time to time appoint any other person with appropriate qualification and experience as Secretary.

Frequency of meetings

6. The Committee shall meet at least twice a year. Additional meetings should be held if the Committee considers it necessary or upon request of the Company’s external auditors.

Notice of meetings

7. Notice of any meetings of the Committee has to be given 7 days prior to any such meeting being held, unless all members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a member shall be deemed waiver of the requisite length of notice by the member. Notice of any adjourned meeting is not required if the adjournment is less than 14 days.
8. Proceedings of meetings of the Committee shall be governed by the provisions of the articles of association of the Company.
9. The Secretary shall keep full minutes of all Committee meetings. Draft and final versions of minutes of meetings of the Committee shall be sent to all members for their comments and records respectively, in both cases within a reasonable period of time after each meeting.
10. The chief financial officer of the Company and a representative of the Company’s external auditors shall normally attend the meetings. The Committee may, from time to time, invite any appropriate person to attend the meeting whenever it is necessary. However, only members of the Committee are entitled to vote at the meetings. At least once a year, the Committee shall meet with the Company’s external auditors without any Executive Directors being present (except by invitation of the Committee).

Authority

11. The Committee is authorised by the Board:
 - (a) To investigate any activity within its terms of reference;
 - (b) To inspect all accounts, books and records of the Company; and
 - (c) To seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.

12. The Committee is authorised by the Board where necessary to obtain outside legal or other professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
13. The Committee shall be provided with sufficient resources to discharge its duties.
14. The Committee may review and evaluate the adequacy of this terms of reference and recommend any proposed changes to the Board.

Duties

The duties of the Committee shall be:

Relationship with the Company's external auditors

- 15.1 (a) To make recommendation to the Board on the appointment, reappointment and removal of the external auditor;
 - (b) To approve the remuneration and terms of engagement of the external auditor; and
 - (c) To consider any questions of resignation or dismissal of that auditor and consider whether there are any matters that need to be brought to the attention of shareholders of the Company.
- 15.2 To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.
- 15.3 To discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences.
- 15.4 (a) To develop and implement policy on the engagement of 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 conclude as part of the audit firm nationally or internationally; and
 - (b) To report to the board, (i) identifying any matters in respect of which it considers that action or improvement is needed; and (ii) making recommendations as to the steps to be taken.

Review of financial information of the Company

- 15.5 (a) To monitor integrity of financial statements of the Company and the Company's annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review any significant financial reporting judgments contained in them.

In this regard, in reviewing the Company's annual report and accounts, interim report and, if prepared for publication, quarterly financial information, before submission to the Board, the Committee shall 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.
- (b) To discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary).

15.6 In regard to 14.5 above:

- (a) Members of the Committee must liaise with the Board, senior management of the Company and the person appointed as the Company's qualified accountants;
- (b) the Committee must meet, at least twice a year, with the Company's external auditors; and
- (c) 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 qualified accountant, compliance officer (or person occupying the same position), or external auditors.

Overseeing the Company's financial reporting system, risk management and internal control systems

- 15.7 To review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems.

- 15.8 (a) To discuss with the management the systems of risk management and internal control; and
- (b) To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- 15.9 To consider any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and management's response.
- 15.10 Where an internal audit function exists,
- (a) 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;
- (b) To review and monitor the effectiveness of the internal audit function; and
- (c) To review reports issued by the internal audit department.
- 15.11 To review the Company's financial and accounting policies and practices.
- 15.12 To review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response.
- 15.13 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- 15.14 To review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board.
- 15.15 To consider the major findings of internal investigations and management's response.
- 15.16 To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.
- 15.17 To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report as set out in the Listing Rules.
- 15.18 To report to the Board on all matters set out in this Terms of Reference.

15.19 To establish a confidential communication channel for the chairman of the audit committee to receive concerns raised by employees of the Company about possible improprieties in financial reporting, internal control or other matters including improper and personal use of bank accounts. The chairman of the audit committee shall promptly communicate these concerns to the audit committee, launch investigations and other follow-up actions.

Annual general meetings and terms of reference

16.1 The chairman of the Committee (or in his/her absence, another Member (who must be an INED) of the Committee) shall attend the Company's annual general meetings and be prepared to respond to shareholders' questions on the Committee's activities and responsibilities.

16.2 A copy of these Terms of Reference will be made available to any person without charge upon request.

Reporting Procedures

17. The Secretary or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

18. The Committee shall report to the Board of its findings, decisions and recommendations.

— End of document —

(Adopted and revised by the Company pursuant to the Board resolutions passed on 31 December 2015 and 26 August 2020)

Notes: If there is any inconsistency between the English and Chinese versions of this document, the English version shall prevail.