

HONY MEDIA GROUP

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 419)

**Terms of Reference of the Audit Committee
of the Board of Directors (the “Board”) of the Company**

1. CONSTITUTION

The Board of Hony Media Group (the “Company”) has resolved to establish an Audit Committee (“Audit Committee”).

2. MEMBERSHIP

- a. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and shall consist of not less than three members, at least one of whom is an independent non-executive director with appropriate qualifications or accounting or related financial management expertise as required in Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The majority of the audit committee members must be independent non-executive directors of the Company. A Director shall automatically cease to be a member of the Audit Committee upon ceasing to hold the position of a director of the Company;
- b. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 2 years from the date of his ceasing (whichever is later):
 - (i) to be a partner of the firm; or
 - (ii) to have any financial interest in the firm.
- c. The Chairman of the Audit Committee appointed by the Board must be a member of the Audit Committee and an independent non-executive director of the Company;
- d. The secretary of the Audit Committee shall be the Company Secretary of the Company; and
- e. The appointment of members of the Audit Committee may be revoked or modified by separate resolutions passed by the Board.

3. PROCEEDINGS OF THE AUDIT COMMITTEE

3.1 Notice

- a. Notice of any meetings of the Audit Committee has to be given at least 14 days prior to any such meeting being held. Any member may waive any notice required to be given by law or under these terms of reference, and the attendance of a member at a meeting shall be deemed to be a waiver by such member. Any member of the Audit Committee may, and the secretary of the Audit Committee on the request of a member of the Audit Committee or external auditors shall, at any time summon a meeting of the Audit Committee. Notice shall be given to each member of the Audit Committee in writing or verbally (including in person or by telephone) or by electronic means to an electronic address from time to time notified to the secretary by such member of the Audit Committee or in such other manner as the members may from time to time determine. Any notice given verbally shall be confirmed in writing;
- b. Notice of meeting shall state the place, date and time of the meeting; and
- c. An agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting shall be circulated to all members in a timely manner and at least 3 days before the intended date of the meeting.

3.2 Quorum

The quorum of the Audit Committee meeting shall be two (2). Any member of the Audit Committee may participate in a meeting by means of a conference telephone, electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person. The Chairman of the Audit Committee shall preside as chairman at every meeting of the Audit Committee. In the absence of the Chairman, the members present may choose one of their members (another independent non-executive director) to be chairman of the meeting.

3.3 Frequency of meetings

Meetings shall be held at least twice a year.

4. MINUTES AND WRITTEN RESOLUTIONS

- a. A written resolution, signed by all members of the Audit Committee, shall be as valid as if it had been passed at a meeting of the Audit Committee;
- b. The secretary of the Audit Committee shall circulate the draft and final versions of the minutes of the meeting or written resolutions of the Audit Committee to all members of the Audit Committee for their comment and records, respectively, within a reasonable time after the meeting;

- c. The secretary of the Audit Committee shall record individual attendance of members of the Audit Committee, on a named basis, at meetings; and
- d. The secretary of the Audit Committee shall keep full minutes of the meetings and written resolutions of the Audit Committee.

5. ANNUAL GENERAL MEETING

The Chairman of the Audit Committee shall attend the annual general meeting of the Company (“AGM”). If the Chairman of the Audit Committee is unable to attend the AGM, another member of the Audit Committee or failing this his duly appointed delegate, shall be available to answer questions at the AGM.

6. AUTHORITY

The Audit Committee may exercise the following powers in order to perform its duties:

- a. to request any necessary information from any employee of the Company (together with its subsidiaries from time to time, collectively referred to as the “Group”);
- b. to obtain independent professional advice, if necessary, at the Company’s expense, and receive adequate resources;
- c. to report to any suspected frauds and irregularities, failures of internal control or potential violations of laws, rules and regulations that are of significant importance to be brought to the Board's attention;
- d. to review the Group’s risk management and internal control systems, the effectiveness of the Group’s internal audit function;
- e. to review the sufficiency of resources, staff qualifications and expertise of the Group’s accounting, internal audit and financial reporting functions;
- f. to oversee the implementation, monitoring, and review of the Company's Whistleblowing Policy and system, including receiving and investigating whistleblowing reports, protecting the confidentiality of whistleblowers, and taking appropriate actions to address any reported improprieties;
- g. to oversee the implementation, monitoring, and review of the Company's Anti-Corruption Policy and systems, ensuring their adequacy and effectiveness in preventing, detecting, and addressing corruption risks. This includes overseeing the Company's regular review process for the Anti-Corruption policy to ensure its continued efficacy; and
- h. to request the Board to undertake all essential measures, which may include convening an extraordinary general meeting, to replace and dismiss the auditor of the Group.

7. DUTIES

The duties of the Audit Committee shall include, without limitation:

Relationship with external auditors

- a. to be primarily responsible for making 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 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 standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- c. to develop and implement 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. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- d. to meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;

Review of the Company's financial information

- e. to monitor the integrity of the Company's financial statements and 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 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 audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- f. Regarding (e) above:
 - (i) members of the Audit Committee should liaise with the Board and senior management 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 the report and accounts, it 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 financial reporting system, risk management and internal control systems

- g. 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;
- h. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective 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;
- i. to consider major investigation findings on risk management and 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 auditor's 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 auditor's management letter;
- n. to report to the Board on the matters in the code provisions as stated in Appendix C1 of the Listing Rules; and
- o. to consider other topics, as defined by the Board.

Others

- a. to review arrangements employees of the Company can use, in confidence, to 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 fair and independent investigation of these matters and for appropriate follow-up action;

- b. to act as the key representative body for overseeing the Company's relations with the external auditor; and
- c. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee should 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.

8. REPORTING PROCEDURES

At the next Board meeting following the Audit Committee's meeting, the Chairman of the Audit Committee shall report the findings and recommendations of the Audit Committee to the Board.

9. CONTINUING APPLICATIONS OF THE BYE-LAWS OF THE COMPANY

The bye-laws of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and not inconsistent with the provisions of these terms of reference shall apply, mutatis mutandis, to regulate the meetings and proceedings of the Audit Committee.

In the event of any inconsistency, the English language text of these terms of reference shall prevail over the Chinese language text.