


IMAGI INTERNATIONAL HOLDINGS LIMITED
意馬國際控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 585)

AUDIT COMMITTEE
TERMS OF REFERENCE

1 Constitution

The board of directors (the “Board”) of Imagi International Holdings Limited (the “Company”) constitutes and establishes an audit committee (the “Audit Committee”) with authority, responsibility and specific duty described below.

2 Membership

- 2.1 Members of the Audit Committee (the “Members”) shall be appointed by the Board and shall be confined to non-executive directors only.
- 2.2 The Audit Committee shall comprise a minimum of three Members, all of whom must be non-executive directors. The majority of the Members shall be independent non-executive directors, at least one of whom must have 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”).
- 2.3 The chairman of the Audit Committee (the “Committee Chairman”) shall be appointed by the Board and shall be an independent non-executive director. In the absence of the Committee Chairman, the remaining Members present shall elect one of the Members to chair the meeting.
- 2.4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of two years from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

* *for identification purpose only*

3 Secretary

- 3.1 The company secretary of the Company (the “Company Secretary”) shall be the secretary of the Audit Committee. If the Company Secretary is not able to attend the meeting, his/her nominee or any person elected by the Members present at the meeting shall attend the meeting and take minutes.
- 3.2 The Audit Committee may from time to time appoint any other person with appropriate professional qualification and relevant experience as the secretary of the Audit Committee.

4 Authority

- 4.1 The Audit Committee is authorised by the Board to investigate any activity of significance within its terms of reference and to seek any information it requires from any employee of the Group in order to perform its duties. All employees are directed to cooperate with any request made by the Members.
- 4.2 The Audit Committee is authorized by the Board to obtain, as the Company’s expenses, legal or their independent professional advice as necessary to assist the Audit Committee.

Note: Arrangement to seek independent professional advice shall be made through the Company Secretary.

- 4.3 The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, by satisfying themselves as to the effectiveness of the Company’s internal controls in relation to the key business risk areas and as to the sufficiency of the external audits in relation to the adequacy and fairness of disclosure.
- 4.4 The Audit Committee shall be provided with sufficient resources to perform its duties.
- 4.5 The responsibilities and authorities of the Audit Committee shall include such responsibilities and authorities set out in the relevant code provisions of Appendix 14 – Corporate Governance Code and Corporate Governance Report (the “CG Code and Report”) under the Listing Rules (as amended from time to time).

5 Quorum, Attendance of Meetings and Resolutions

- 5.1 The quorum necessary for the transaction of business shall be two Members. 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, powers and discretions vested in or exercisable by the Audit Committee.
- 5.2 Members may participate in any meeting either in person or by means of a conference telephone, or other electronic means of communication or in such other manner as the Members may agree. For the purposes of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.
- 5.3 The secretary of the Audit Committee shall ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute them accordingly. The relevant Member(s) shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Audit Committee in which he/she or his/her associates has a material interest.
- 5.4 Attendees shall normally include Members, General Manager, financial controller or other financial officers, the head of internal audit (where an internal audit function exist), and where appropriate or required, other directors, relevant senior management, representative(s) of external auditor and/or person(s) invited by the Members may attend the meeting.
- 5.5 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.
- 5.6 Without prejudice to any requirement under the Listing Rules, a resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may be contained in a single document or may consist of several documents all in like form.

6 Frequency of Meetings

- 6.1 The Audit Committee should meet at least twice a year. Additional meetings should be held as the work of the Audit Committee demands. The external auditors or any Member may request a meeting if they consider that one is necessary.
- 6.2 At least twice a year the Audit Committee should meet with external auditors without the executive Board members present. The external auditor may request a meeting if they consider necessary.

7 Notice of Meetings

- 7.1 Meetings of the Audit Committee may be convened by the Members or by the Company Secretary at the request of any of its Members or at the request of external auditors if they consider it necessary.
- 7.2 Notice of any meetings has to be given at least 14 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. Agenda and accompanying supporting papers shall be sent to the Members and to other attendees as appropriate, at least 3 days in advance of the meeting (or other agreed period as the Members may agree).

8 Minutes of Meetings

- 8.1 The secretary shall minute the proceedings and resolutions of all meetings of the Audit Committee, including recording the names of those present and in attendance.
- 8.2 Minutes of the Audit Committee meetings shall be kept by the Company Secretary and such minutes shall be available for inspection by any Members or the Board at any reasonable notice.
- 8.3 Draft and final versions of minutes of the Audit Committee meetings shall be sent to all Members for their comment and records respectively, in both cases within a reasonable time after the meeting.
- 8.4 Minutes of the Audit Committee should record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by the Members and/or dissenting views expressed.

9 Annual General Meeting

- 9.1 The Committee Chairman or in his/her absence, another Member of the Audit Committee should, as far as practicable, attend the annual general meeting (the "AGM") and be prepared to respond to any shareholder questions on the Audit Committee's activities.

10 Duties

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditors. Without prejudice to any requirement under the CG Code and Report, the Audit Committee shall have the following responsibilities, powers and discretion:

Relationship with the Company's auditor

- 10.1 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;
- 10.2 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 shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 10.3 To develop and implement policy on engaging 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 knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 10.4 To act as the key representative body for overseeing the Company's relations with the external auditors.

Review of the Company's financial information

- 10.5 To monitor 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 shall focus particularly on:—
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;

- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

10.6 Regarding 10.5 above:–

- (a) Members shall liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company’s auditor; and
- (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and 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

- 10.7 To make recommendation to the Board any appropriate extensions or changes in the duties of the Audit Committee;
- 10.8 To review the Company’s financial controls, risk management systems and internal control;
- 10.9 To discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective internal 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;
- 10.10 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;
- 10.11 To review the findings of internal investigations into any suspected frauds or irregularities or failures of internal controls or infringement of laws, rules and regulations, of significance;

- 10.12 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;
- 10.13 To review the Group's financial and accounting policies and practices;
- 10.14 To review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- 10.15 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 10.16 To report to the Board, at least annually, on the matters in accordance with CG Code and Report;
- 10.17 To review the Company's and the Board's statement(s) on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board; and
- 10.18 To consider other topics, as defined by the Board.

Employees' Concerns

- 10.19 To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal controls or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action.

11 Reporting Responsibilities

- 11.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

12 Other Matters

- 12.1 A copy of these terms of reference shall be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company.
- 12.2 If there is any inconsistency between the English and Chinese version of this terms of reference, the English version shall prevail.

(adopted with effect on 1 January 2019)