

# **Aurum Pacific (China) Group Limited**

## **奧栢中國集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8148)**

### **AUDIT COMMITTEE – TERMS OF REFERENCE**

#### **1. Membership**

- a. The Audit Committee shall be appointed by the board (the “Board”) of directors (the "Directors") of Aurum Pacific (China) Group Limited (the “Company”) and must consist of a minimum of three members (the "Members").
- b. Membership shall be confined to non-executive Directors, the majority of which must be independent non-executive Directors ("INEDs") and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.
- c. The chairman of the Audit Committee shall be appointed by the Board and must be an INED.
- d. In the event that the Audit Committee comprises a non-executive Director who is a former partner of the Company's existing auditing firm, such non-executive Director shall be prohibited from acting as a Member of the Audit Committee for a period of two years commencing on the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.

#### **2. Secretary**

- a. The company secretary of the Company shall be the secretary of the Audit Committee (the "Secretary").
- b. The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary.

#### **3. Meetings**

- a. The Audit Committee shall meet at least twice a year. The Company's external auditors may request that a meeting be held if they consider it necessary.
- b. Notice of any meetings has to be given within a reasonable time 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 meetings is not required if adjournment is less than 14 days.
- c. The quorum of the Audit Committee shall be any two Members.

- d. Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- e. Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present.
- f. A resolution in writing signed by all the Members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- g. Full minutes shall be kept by the Secretary. Draft and final versions of minutes shall be sent to all Members for their comment and records respectively, within a reasonable period of time after the meeting. Such minutes shall be open for Directors' inspection.

#### **4. Attendance at Meetings**

- a. At least once a year, representatives of the Company's external auditors will meet the Audit Committee without any executive Directors being present, except by invitation of the Audit Committee.
- b. At the invitation of the Audit Committee, other members of the Board or other persons may attend the meeting.
- c. Only Members of the Audit Committee are entitled to vote at the meetings.

#### **5. Responsibility, Powers and Discretion**

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 system. The Audit Committee shall have the following responsibilities, powers and discretion:

##### *Relationship with the Company's External Auditors*

- a. 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 its resignation or dismissal;
- b. to review and monitor the external auditor's independence and objectivity;
- c. to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- d. 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;
- e. to report to the Board, identifying and making recommendations on any matters where action or improvement is needed and making recommendations as to the steps to be taken;

*Review of the financial information of the Company*

- f. to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and quarterly reports, and to review any significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit 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 GEM Listing Rules and other legal requirements in relation to financial reporting;
- g. regarding to 5(f) above:
  - i. members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and
  - ii. the 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*

- h. to review the Company's financial controls, and unless expressly addressed by the Board itself, to review the risk management and internal control systems;
- i. to discuss the risk management and internal control system with the management and 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;

- j. to consider of 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;
- k. 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;
- l. to review the group's financial and accounting policies and practices;
- m. to review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;
- n. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- o. to report to the Board on all matters set out in these Terms of Reference;
- p. to consider any other matters specifically referred to the Audit Committee by the Board;
- q. 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; and
- r. to act as the key representative body for overseeing the Company's relations with the external auditor.

## **6. Authority**

- a. The Audit Committee is authorised by the Board to inspect all accounts, books and records of the Company.
- b. The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.
- c. A Director as a Member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to perform his/her duties as a Member of the Audit Committee to the Company.

*Note:* Arrangement to seek independent professional advice could be made through Company Secretary.

- d. The Audit Committee shall be provided with sufficient resources to perform its duties.

## **7. Publication of the Terms of Reference**

The terms of reference will be posted on the website of the Company and the website of the GEM.

\*Remark: "senior management" refers to the same persons referred to in the Company's annual report, if any, and required to be disclosed under Chapter 18 of the GEM Listing Rules.

*Note:* If there is any inconsistency between the English and Chinese versions of these Terms of Reference, the English version shall prevail.

Effective in February 2019