



**TOM Group Limited**  
**TOM集團有限公司**

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

**Stock Code: 2383**  
**(“Company”)**

**AUDIT COMMITTEE - TERMS OF REFERENCE**

The following is the Terms of Reference of the Audit Committee of the Company (the “Committee”) established in January 2000, and such terms are amended and approved by the board (the “Board”) of directors (the “Directors”) of the Company from time to time in compliance with the Corporate Governance Code under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

**1. Membership**

- 1.1 Members of the Committee (the “Members”) shall be appointed by the Board and the Committee must consist of a minimum of three Members.
- 1.2 Membership shall be confined to Non-executive Directors, the majority of whom must be Independent Non-executive Directors (“INEDs”) with at least one INED having appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The Chairman of the Committee shall be appointed by the Board and must be an INED.
- 1.4 In the event that the 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 for a period of two years from 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**

- 2.1 The Company Secretary of the Company or his/her delegate shall be the secretary of the Committee.
- 2.2 The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

### **3. Meetings**

- 3.1 The Committee shall meet at least twice a year. The Chairman of the Committee or any Member, or the external auditor of the Company may request that a meeting be held if he/she/it considers it necessary.
- 3.2 Notice of any meetings has to be given at least fourteen (14) days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice 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 for less than fourteen (14) days.
- 3.3 The quorum of the Committee shall be any two Members.
- 3.4 Meetings can 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 or through electronic means at which all persons participating in the meeting are capable of hearing each other.
- 3.5 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present.
- 3.6 A resolution in writing signed by all the Members shall be as valid and effectual as if it has been passed at a meeting of the Committee duly convened and held.
- 3.7 Full minutes shall be kept by the secretary of the Committee. Draft and final minutes shall be circulated to all Members for their comments, approval and records within a reasonable period of time after the meeting. Finalised minutes shall be sent to all other members of the Board for information.

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

- 4.1 At least once a year, representatives of the external auditor of the Company will meet the Committee without any management being present, except by invitation of the Committee, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.
- 4.2 The following persons will normally attend all meetings of the Committee, unless requested otherwise by the Committee:
  - (a) the external auditor;
  - (b) Head of Internal Audit or in his/her absence, a representative from internal audit;
  - (c) Chief Financial Officer;
  - (d) Company Secretary; and
  - (e) Group General Counsel or his/her representative.
- 4.3 Other members of the Board may attend meetings of the Committee although only Members of the Committee are entitled to vote at the meetings.

## **5. Annual General Meeting**

The Chairman of the Committee or in his/her absence, another Member (who must be an INED) of the Committee, shall attend the Annual General Meetings of the Company and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.

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

The responsibility of the Committee is to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting, risk management and internal controls and to assist the Board with any other responsibility as may be delegated by the Board from time to time. The Committee shall have the following responsibilities, powers and discretion:

### ***Relationship with External Auditor***

- 6.1 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;
- 6.2 to review and monitor the independence and objectivity of the external auditor, including to:
  - (a) consider the relationship between the Company and the audit firm; and
  - (b) obtain from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements for rotation of audit partners and staff;
- 6.3 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;
- 6.4 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;
- 6.5 to be primarily responsible for making recommendations to the Board for the approval of any non-audit services provided to the Company by the external auditor. The Committee should ensure that the provision of such non-audit services would not impair the independence or objectivity of the external auditor having taken into account the following matters:
  - (a) whether the skills and experience of the audit firm make it a suitable supplier of such non-audit services;
  - (b) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the external auditor notwithstanding its proposed provision of the non-audit services;

- (c) the nature of the non-audit services, the related fee levels and the individual and aggregate fee levels relative to the audit firm; and
  - (d) the criteria for determining the compensation of the individuals performing the non-audit services;
- 6.6 to act as the key representative body for overseeing the relationship of the Company with the external auditor;
- 6.7 to set policies on hiring employees or former employees of the external auditor and monitoring the application of these policies, and to examine whether as a result of such hiring there has been or appears to be any impairment of the judgment or independence of the external auditor for the audit.

### ***Review of Financial Information***

- 6.8 to monitor the integrity of the financial statements and annual report and accounts, half-year report and quarterly reports (if applicable) of the Company, and to review any significant financial reporting judgements contained therein. In reviewing these reports (if applicable) before submission to the Board, the Committee shall focus particularly on:
- (a) financial reporting and accounting policies and practices and any changes in these 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, other applicable rules and legal requirements in relation to financial reporting;
- 6.9 Regarding 6.8 above:
- (a) Members should liaise with the Board and senior management;
  - (b) the Committee must meet, at least twice a year, with the external auditor; and
  - (c) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and it should give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer (or person occupying the same position) of the Company, or the external or internal auditors of the Company;

### ***Oversight of Financial Reporting System, Risk Management and Internal Control Systems***

- 6.10 to review the Company's financial controls and risk management and internal control systems, including cyber risks with particular regard to their effectiveness;
- 6.11 to ensure that the effectiveness of the risk management and internal control systems of the Company and its subsidiaries is reviewed at least annually, and management to provide a confirmation on the effectiveness of these systems, and the scope of the review should cover all material controls, including financial, operational and compliance controls;
- 6.12 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have appropriate and effective risk management and internal control systems for the purposes of dealing with identified risks (including cyber risks), safeguarding assets, preventing and detecting fraud, misconduct and loss. This discussion should include:
  - (a) the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions;
  - (b) the changes in the nature and extent of significant risks, and the ability of the Group to respond to changes in its business and the external environment;
  - (c) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function and other assurance providers, if any;
  - (d) the extent and frequency of communication of monitoring results to the Board for the purposes of assessing the adequacy and the effectiveness of the risk management and internal control systems of the Group; and
  - (e) significant control failings or weaknesses identified during the review of the risk management and internal control systems, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the financial performance or condition of the Company, and any remedial measures taken to address such control failings or weaknesses;
- 6.13 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;
- 6.14 to ensure co-ordination between the internal and external auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, to review and monitor its effectiveness, and to meet with the Head of Internal Audit at least once a year to ensure that there are no unresolved issues or concerns;
- 6.15 to review the Group's financial and accounting policies and practices;

- 6.16 to review the statement of the Board on the effectiveness of the Group's risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions) prior to endorsement by the Board;
- 6.17 to review the management letter of the external auditor, any material queries raised by the external auditor to management about the accounting records, financial accounts, risk management and internal control systems and response of management;
- 6.18 to ensure that the Board will provide a timely response to the issues raised in the management letter of the external auditor;
- 6.19 to review the TOM Group Whistleblowing Policy and system for employees of the Group and those who deal with the Group to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Group, including but not limited to improprieties in financial reporting and internal control. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 6.20 to review the Group's findings of investigations and follow-up actions;

***Corporate Governance Functions Delegated by the Board***

- 6.21 to develop and review the Company's policies and practices on corporate governance, including policies and practices on anti-bribery and anti-corruption and whistleblowing, ensure their relevance and effectiveness, and make recommendations to the Board;
- 6.22 to review and monitor the training and continuous professional development of Directors and senior management;
- 6.23 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 6.24 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- 6.25 to review the Company's compliance with the Corporate Governance Code (Appendix C1 to the Listing Rules) and the disclosure in the Corporate Governance Report;

***Others***

- 6.26 to ensure the practices and procedures of the Company with respect to related party transactions and disclosure of discloseable information are adequate for compliance with the requirements under the Listing Rules and other applicable rules;
- 6.27 to review from time to time as appropriate this Terms of Reference and recommend to the Board any necessary changes;
- 6.28 to provide to the Board such assurances as it may reasonably require regarding compliance by the subsidiaries and associates of the Company for which the Company provides management services with all supervisory and other regulations to which they are subject;

6.29 to report to the Board on all matters in this Terms of Reference and where the monitoring activities of the Committee reveal cause for concern or scope for improvement, the Committee shall make recommendations to the Board to address the issue or to make improvements; and

6.30 to consider any other matters specifically referred to the Committee by the Board.

## **7. Reporting Responsibilities**

The Committee shall report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

## **8. Authority**

8.1 The Committee is authorised by the Board to inspect all accounts, books and records of the Company.

8.2 The 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.

8.3 A Director as a Member of the Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member of the Committee.

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

8.4 The Committee shall be provided with sufficient resources to perform its duties.

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

The Terms of Reference is posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited. A copy of the Terms of Reference will be made available to any person without charge upon request.

To the extent that there are any inconsistencies between the English version and the Chinese version of these Terms of Reference, the English version shall prevail.

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