



# A.Plus Group Holdings Limited

## 優越集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8251)

### AUDIT COMMITTEE

### TERMS OF REFERENCE

#### CONSTITUTION

1. The board (the “**Board**”) of directors (the “**Director(s)**”) of A.Plus Group Holdings Limited (the “**Company**”) has resolved to establish a Committee of the Board to be known as the Audit Committee (the “**Committee**”) at a meeting held on 23 March 2016.

#### MEMBERSHIP AND QUORUM

2. The Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members (the “**Members**”), a majority of whom should be independent non-executive Directors (“**INEDs**”). A quorum shall be two Members, of whom one has to be an INED.
3. The chairman of the Committee (the “**Chairman**”) 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 5.05(2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) (or rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Main Board Listing Rules**”).

Former partners of the Company’s existing auditing firm is prohibited from acting as a Member for a period of two years commencing on the later of (a) the date of him ceasing to be a partner of the firm; or (b) the date of him 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 four times 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, subject to any legal or regulatory restrictions limiting the circulation or making of the said reports.
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 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.

## **DUTIES**

The duties of the Committee shall be:

### **Relationship with the Company's external auditors**

- 14.1 (a) To make recommendation to the Board on the appointment, reappointment and removal of the external auditors;
  - (b) to review and approve the remuneration and terms of engagement of the external auditors; and
  - (c) to consider any questions of resignation or dismissal of the external auditors and consider whether there are any matters that need to be brought to the attention of shareholders of the Company.
- 14.2 To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.

When assessing independency of the external auditors:

- (i) to consider all relationships between the Company and the external auditors (including the provision of non-audit services);

- (ii) to seek or obtain from the external auditors annually information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
- (iii) to meet with the external auditors, 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 external auditors may wish to raise; and
- (iv) to agree with the Board the Company's policy on hiring of employees or former employees of the external auditors and monitoring the implementation of these policies. The Committee will consider whether as a result of such hiring there has been or appears to be any impairment of the external auditor's judgement or independence in respect of an audit.

14.3 To discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences.

14.4 (a) To develop and implement policy on the engagement of external auditors to provide non-audit services. For this purpose, external auditors 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.

14.5 To act as the key representative body for overseeing the Company's relationship with the external auditors and to serve as a focal point for communication between other Directors and the external auditors as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.

14.6 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, arrange for the Corporate Governance Report to include an explanation of the Committee's recommendation and the reasons why the Board has taken a different view in accordance to Appendix 15 of the GEM Listing Rules.

## **Review of financial information of the Company**

- 14.7 (a) To monitor integrity of the Company's financial statements, annual reports and accounts, half-year reports 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 financial statements annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, 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 GEM Listing Rules (or Main Board Listing Rules) and relevant 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).

14.8 In regard to 14.7 above:

- (a) Members must liaise with the Board, senior management of the Company (as named in the Company's annual report) and the person appointed as the Company's qualified accountants;
- (b) the Committee must meet, at least once 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 the external auditors.

## **Overseeing the Company's financial reporting system, internal control procedures and risk management**

14.9 To review the Company's financial control, internal control and risk management systems.

14.10 (a) To discuss with the management the internal control and risk management systems;

(b) to ensure that management has discharged its duty to have an effective internal control system; and

(c) this discussion should include adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

14.11 To consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.

14.12 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.

14.13 To review the Group's financial and accounting policies and practices.

14.14 To review the external auditor's management letter, any material queries raised by the external auditors to management in respect of the accounting records, financial accounts or systems of control and management's response.

14.15 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

14.16 To review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board.

- 14.17 To consider the major findings of internal investigations and management's response.
- 14.18 To report to the Board on all matters set out in these Terms of Reference.
- 14.19 To establish a confidential communication channel for the Chairman 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 shall promptly communicate these concerns to the Committee, launch investigations and other follow-up actions.
- 14.20 To consider any other matters specifically referred to the Committee by the Board including but not limited to the following:
- (a) to review the internal control and risk management systems of the Company, including the internal controls on bank account management and the monitoring of bank transactions on a quarterly basis in order to detect and prevent improper bank activities and transactions;
  - (b) to review the report on bank account activities, material bank transactions and all incoming wire transfers on a quarterly basis to detect irregularities;
  - (c) to report irregularities (if any) to the Board and the Committee immediately, including matters relating to the provisions in the Corporate Governance Code (Appendix 15 of the GEM Listing Rules);
  - (d) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up actions; and
  - (e) to review the findings of the Company's internal audit department from time to time.
- 14.21 To ensure that the adequacy of resources, staff qualifications and experience, training programmes, and budget of the Company's accounting and financial reporting function.
- 14.22 To formulate whistle-blowing policies and systems so that the employees and other persons (e.g. customers and suppliers) who have connections with the Company can, in confidence, report to the Committee concerns about any impropriety relating to the Company.
- 14.23 To consider any other topics, as defined by the Board.

## **Annual general meetings and terms of reference**

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

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

## **REPORTING PROCEDURES**

15. The Secretary shall record minutes of all duly constituted meetings of the Committee. All minutes shall record in sufficient details the matters considered, decisions reached or recommendations made and any concerns raised by any Member including dissenting views, and be available for inspection by any reasonable time on reasonable notice by any Director.

16. The Secretary shall circulate the draft and final versions of the minutes of meetings and reports of the Committee to all Members for comments and records within a reasonable time after each meeting, subject to any legal or regulatory restrictions restricting such circulation or the making of such reports.

17. The Chairman who chair the meetings or other Member who is authorised by the Chairman to chair the meetings shall report in the forthcoming regular Board meeting any key decisions made and shall table before the Board an index of meetings and issues discussed.

18. The Chairman, or in the absence of the Chairman, another Member, or failing which his duly appointed alternate, shall attend the Company's annual general meetings and be prepared to respond to any shareholder's questions on the Committee's activities and its responsibilities.

19. The Committee shall make available its terms of reference by inclusion on the website of The Stock Exchange of Hong Kong Limited and the Company's website for corporate communications.



## **INTERPRETATION**

20. Interpretation of these terms of reference shall belong to the Board.

*(The English version shall always prevail in case of any inconsistency between the English version and its Chinese translation.)*

(Adopted by the Company pursuant to the Board's resolutions passed on 23 March 2016 and 31 December 2018)