



## **MERDEKA FINANCIAL SERVICES GROUP LIMITED**

**(萬德金融服務集團有限公司\*)**

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

(Stock Code: 8163)

### **TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

*(Adopted by the Company pursuant to the resolution passed during a Board meeting duly held on 26 September 2001 and amended by the Company pursuant to the resolutions passed during a Board meeting duly held on 18 February 2019)*

The board of directors (the “Board”) of Merdeka Financial Services Group Limited (the “Company”) approved at a meeting on 26 September 2001 to establish a committee of the Board to be known as the Audit Committee (the “Committee”).

#### **1. Membership**

- 1.1 The members of the Committee should comprise non-executive directors only. The Committee shall have a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the Committee members must be independent non-executive directors. The members present shall elect a chairman to preside the meeting (the “Chairman”). The Chairman must be an independent non-executive director.
- 1.2 A former partner of the Company’s existing audit firm should be prohibited from acting as a member of the Committee for a period of 2 year commencing on the date of his ceasing:
  - (a) to be a partner of the firm; or

\* For identification purpose only

(b) to have any financial interest in the firm,

whichever is the later.

## **2. Attendance at meeting**

2.1 The Qualified Accountant and a representative of the external auditors shall normally attending meetings, other members of the Board and members of the staff with specific responsibility for the area under review by the Committee shall also have the right of attendance. However, at least once a financial year, the Committee shall meet with external auditors without executive Board members present.

2.2 The company secretary or the assistant company secretary shall be the secretary of the Committee. Where the company secretary is also an executive Board member, the company secretary can only attend meetings of the Committee in the capacity as a company secretary, and not as an executive Board member.

## **3. Quorum**

3.1 The quorum shall be two members.

3.2 Members may participate in any Committee 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.

## **4. Frequency of meetings**

Meeting shall be held at least once each financial year. The Committee shall normally meet prior to the finalization of both the interim and year end accounts to discuss any issues arising from them. The external auditors may request a meeting if they consider that one is necessary.

## **5. Voting**

Questions arising at any Committee meeting shall be determined by a majority of votes. In the case of any equality of votes, the chairman of the meeting shall have an additional or casting vote.

## **6. Authority**

- 6.1 The Committee is authorized by the Board to investigate any activity within its terms of reference as set out herein and any other issue specifically delegated by the Board or may arise as a natural extension of the review of the Company's affairs in pursuing the Committee's duties. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. Without prejudice to the generality of the foregoing, the Committee shall have full and unlimited access to all books and accounts of the Company.
- 6.2 The Committee is required by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **7. Duties**

The duties of the Committee shall be;

- (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 resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the Committee;
- (c) to develop and implement policy on the engagement of 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 having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in

reviewing the Company's annual report and accounts, half-year report and quarterly reports before submission to the Board, the Committee should focus particularly on:

- (i) any change in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption;
  - (v) compliance with accounting standards;
  - (vi) compliance with GEM Listing Rules issued by The Stock Exchange of Hong Kong Limited and legal requirements in relations to the financial reporting;
- (e) In regard to (d) above:
- (i) members of The Committee must liaise with the Board , senior management and the qualified accountant and the Committee must meet, at least once 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 such reports is and accounts and must give due consideration to any matters that have been raised by the issuer's qualified accountant, compliance officer or auditors;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (h) 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;
- (i) 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 resource and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

- (j) to review the group's financial and accounting policies and practices;
- (k) to review the external auditor's management's letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in section C3 of Appendix 15 of GEM Listing Rules;
- (n) to consider other topics, as defined by the Board.

## **8. Reporting procedures**

Full minutes of all meetings of the Committee are to be kept by the Secretary of the Committee, who shall circulate the minutes of meeting of the Committee to all members of the Board.

## **9. Communication**

9.1 The Chairman or in the absence of the Chairman, another member of the Committee or failing this his duty appointed delegate, should attend the Company's annual general meeting to answer any questions that may be raised thereat on the Committee's activities and responsibilities.

9.2 A copy of these terms of reference will be made available on request.