

# AUPU

## AUPU GROUP HOLDING COMPANY LIMITED

### 奥普集团控股有限公司

*(Incorporated in the Cayman Islands as an exempted company with limited liability)*

(Stock Code: 00477)

#### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

##### CONSTITUTION

1. The Audit Committee is established as a committee of the board of directors of the Company (the “Board”).

##### OBJECTIVE

2. The Audit Committee shall be responsible for ensuring the objectivity and credibility of financial reporting of the Company and for maintaining an appropriate relationship with the external auditor.

##### MEMBERSHIP

3. The Audit Committee shall consist of at least three members. A majority of the members must be Independent Non-executive Directors and the remaining members must be Non-executive Directors. At least one of the members shall be an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise (as required under rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd). All of the members shall be appointed by the Board. A quorum shall be three members.
4. A former partner of the Company’s existing auditing firm from time to time may not act as a member of the Audit Committee for a period of one year commencing on the date of his ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is the later.
5. The Chairman of the Audit Committee shall be appointed by the Board from among its Independent Non-executive Directors.

##### FREQUENCY OF MEETINGS

6. The Audit Committee shall meet at least twice a year. The external auditor may request a meeting if it considers it necessary.

## **NOTICE OF MEETINGS**

7. Meetings of the Audit Committee shall be called by its Chairman or at the request of the Board.
8. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Audit Committee and any other person required to attend no fewer than three working days prior to the date of the meeting.

## **ATTENDANCE AT MEETINGS**

9. The Chief Financial Officer, the head or a representative of the Internal Audit Department, and a representative of the external auditor shall normally attend meetings. Other Board members shall have the right to attend meetings of the Audit Committee. However, the Audit Committee shall meet with the external auditor of the Company without the presence of its Executive Directors at least twice a year.
10. The Company Secretary or his nominee shall be the secretary of the Audit Committee.

## **AUTHORITY**

11. The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. 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 Audit Committee.
12. The Audit Committee is authorized by the Board, at the Company's expense, to appoint legal or other independent professional advisers with relevant experience and expertise to assist the Audit Committee and to secure the attendance of such professional advisers at its meetings if it considers it necessary.
13. The Audit Committee is authorized to require management to provide it with such resources as may be necessary for it to perform its duties.

## **DUTIES**

14. The duties of the Audit Committee shall be:
  - (a) 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 regarding the resignation or dismissal of the external auditor;
  - (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- (c) to discuss with the external auditor before the audit process commences, the nature and scope of the audit and reporting obligations, and ensure coordination where more than one auditor are involved;
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services (for which 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 of all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) and report to the Board on such policy, identifying and making recommendation on any matters where action or improvement is needed;
- (e) to monitor the integrity of the Company’s financial statements, annual report and account, half-year report and, if prepared for publication, quarterly reports and to review significant financial reporting judgements contained in them;
- (f) In reviewing the annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, to focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgemental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with stock exchange and other legal requirements in relation to financial reporting; and to:
  - (vii) liaise with the Company’s Board, senior management and finance department to carry out such review; and
  - (viii) consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and give due consideration to any matters that have been raised by the Company’s finance department, compliance officer or external auditor;
- (g) to act as the key representative body for overseeing the Company’s relationship with the external auditor; and discuss problems and reservations arising from the interim and final financial statements, and any other matters the external auditor may wish to discuss (in the absence of management where necessary);
- (h) to review the external auditor’s management letter, any material queries raised by the auditor to the management about the accounting records, financial accounts or systems of control and management’s response;

- (i) to ensure that the Board provides a timely response to the issues raised in the external auditors' management letter;
- (j) to review the Company's financial controls, internal control and risk management systems;
- (k) to discuss the systems of risk management and internal control with the management to ensure that the management has performed its duty to have effective systems of risk management and internal control. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (l) to review the Company's statement on risk management and internal control systems to be included in the annual report prior to endorsement by the Board;
- (m) 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;
- (n) to review and monitor the effectiveness of the internal audit programme, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- (o) to review the group's financial and accounting policies and practices;
- (p) to review arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (q) to report to the Board on the matters set out in this paragraph 14;
- (r) to review the Company's compliance with the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rule;
- (s) to consider other topics, as defined or instructed by the Board; and
- (t) to make available its terms of reference, explaining its role and the authority delegated to it by the Board, upon request.

## **REPORTING PROCEDURES**

15. The secretary of the Audit Committee shall keep full minutes of all Audit Committee meetings. The secretary of the Audit Committee shall circulate draft and final versions of such minutes to all committee members for their comments and records respectively, in both cases within a reasonable time after the meeting.
16. The secretary of the Audit Committee shall circulate the minutes of the Audit Committee meetings