



TOM Group Limited

TOM集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2383
(“Company”)

**TERMS OF REFERENCE
OF
AUDIT COMMITTEE**

Objective

The Audit Committee of the Company is to assist the board of directors of the Company (“Board”) in the following manner:

- (i) ensuring that an effective system of internal control and compliance with the Company’s obligations (include external financial reporting obligations) as required under the applicable laws and regulations in place and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”); and
- (ii) overseeing the integrity of the financial statements of the Company.

Membership

1. The Audit Committee shall be appointed by the Board amongst the non-executive Directors and shall consist of not less than three members (“Members”), a majority of whom shall be independent non-executive Directors. The Board may also remove any member or all members of the Audit Committee at its sole discretion. The Board may from time to time vary the composition of the Audit Committee as may be required by the Listing Rules (as modified from time to time) or the rules of any other stock exchange in respect of which the shares of the Company are listed or quoted, or other codes, rules and regulations as may be prescribed by the Hong Kong Securities and Futures Commission or any other applicable regulatory authority from time to time (“Applicable Rules”).
2. The Chairman of the Audit Committee shall be appointed by the Board and 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 Listing Rules.
3. In the event that the Audit Committee comprises a non-executive Director who is 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 one year 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.

4. The Company Secretary shall be the secretary for the Audit Committee.

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 process and internal control system. The Audit Committee shall have the following powers and discretion:

Relationship with the Company's External Auditor

1. 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;
2. to review and monitor the external auditor's independence and objectivity. To this end, the Audit Committee shall:
 - (i) consider all relationships between the Company and the audit firm (including the provision of non-audit services);
 - (ii) obtain from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
 - (iii) meet with the external auditor, at least annually, in the absence of management of the Company, to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the external auditor or the Audit Committee may wish to raise;
3. to review and monitor the effectiveness of the audit process in accordance with applicable standard, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
4. 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;
5. to act as the key representative body for overseeing the relations of the Company with the external auditor;

Review of financial information of the Company

6. to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports (if applicable), and to review significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly reports (if applicable) before submission to the Board, the Audit Committee should 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 Listing Rules and other legal requirements in relation to financial reporting;
7. In regard to 6 above:
- (i) Members of the Audit Committee must liaise with the Company's Board and senior management, and the Audit Committee must meet, at least twice a year, with the Company's external auditor;
 - (ii) the Audit Committee shall 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 staff responsible for the accounting and financial reporting function, compliance officer or external auditor;
 - (iii) discuss (in the absence of executive Directors if appropriate) any problems or reservations which the Company's external auditor may have arising from any audit or review or otherwise; and
 - (iv) check and confirm that the Company's practices and procedures for compliance with the relevant legal and stock exchange requirements with respect to related party transactions are followed;
8. to be primarily responsible for making recommendation to the Board for the approval of any non-audit services provided to the Company by the external auditor. The Audit Committee should ensure that the provision of such non-audit services does not impair the external auditor's independence or objectivity. When assessing the independence or objectivity of the external auditor in relation to the provision of non-audit services, the Audit Committee should consider:
- (i) whether the skills and experience of the audit firm make it a suitable supplier of such non-audit services;
 - (ii) 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;
 - (iii) the nature of the non-audit services, the related fee levels and the individual and aggregate fee levels relative to the audit firm; and
 - (iv) the criteria for determining the compensation of the individuals performing the non-audit services;
9. to set policies on hiring employees or former employees of the external auditors and monitoring the application of these policies;

Oversight of the Company's financial reporting system and internal control procedures

10. to review the Company's financial controls, internal control and risk management systems;
11. to review the statement of the Company on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
12. 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 including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
13. 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. 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 the effectiveness of the internal audit function;
15. to review the Group's financial and accounting policies and practices;
16. to review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
17. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
18. to report to the Board on the matters set out in these Terms of Reference and where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement, the Audit Committee shall make recommendations to the Board to address or to make improvements;
19. to provide to the Board such assurances as it may reasonably require regarding compliance by the Company's subsidiaries and associates for which the Company provides management services with all supervisory and other regulations to which they are subject;
20. to review arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
21. to consider other topics, as defined by the Board.

Corporate Governance delegated by the Board

To ensure the upheld of good corporate governance including, but not limited to:

1. to develop and review the policies and practices of the Company on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
5. to review the compliance by the Company with the Corporate Governance Code (Appendix 14 to the Listing Rules) and the disclosure requirements for the Corporate Governance Report.

Authority

1. The Audit Committee shall report directly to the Board.
2. The Board shall authorise the Audit Committee to inspect all accounts, books and records of the Company and 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.
3. A Director as a Member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member of the Audit Committee to the Company.

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

4. The Audit Committee shall be provided with sufficient resources to discharge its duties.

Meetings

1. The Audit Committee shall meet at least twice each year. The Company's Auditors may request that a Meeting be held if they consider it necessary.
2. The quorum of a Meeting of the Audit Committee shall be any two Members, at least one should be an independent non-executive Director.
3. Resolutions of the Audit Committee shall be passed by a majority of votes which could also be passed by way of unanimous written resolutions. Meetings could be held in person, by telephone or by video conference.
4. Notice of any Meetings has to be given at least 48 hours 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 for less than 48 hours.
5. Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes shall be open for Directors' inspection.

Attendance

The Chief Financial Officer, the Head of Internal Audit, and a representative of the external auditor shall normally attend the Meetings. However, at least once a year the Audit Committee shall meet with the external and internal auditors without executive Board members present, except by invitation of the Audit Committee. Subject to the above, other members of the Board may attend all Meetings although only Members are entitled to vote at such Meetings.

Annual General Meeting

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

Publication of the Terms of Reference

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

Note: "senior management" should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under Appendix 16 to the Listing Rules.

1 January 2012

**for identification purpose*