



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

- (i) to review and monitor the risk management and internal control systems and the Company’s compliance (include external financial reporting obligations) with the applicable laws and regulations in place and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”);
- (ii) to oversee the integrity of the Company’s financial statements and the objectivity and credibility of the Company’s financial reporting system; and
- (iii) to maintain an appropriate relationship with the Company’s external auditor.

Membership

1. The Audit Committee shall be appointed by the Board and must consist of a minimum of three members (“Members”). Membership shall be confined to non-executive Directors, the majority of whom must be independent non-executive Directors (“INEDs”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise. The Board may also remove any Member or all Members 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 Company’s shares 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.
2. The Chairman of the Audit Committee shall be appointed by the Board and must be an INED.

3. In the event that the Audit 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 of the Audit Committee 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.
4. The Company's Company Secretary or his/her delegate shall be the secretary of the Audit Committee.

Responsibility, Powers and Discretion

The responsibility of the Audit 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 control systems and to assist the Board with any other responsibility as may be delegated by the Board from time to time. The Audit Committee shall have the following responsibilities, powers and discretion:

Relationship with the Company's auditors

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 external auditor;
2. to review and monitor the external auditor's independence and objectivity, including to:
 - (i) consider all relationship between the Company and the audit firm (including the provision of non-audit services); and
 - (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;
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;
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. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
5. to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of the Company's financial information

6. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if applicable), and to review any significant financial reporting judgements contained in them. In reviewing these reports (if applicable) before submission to the Board, the Audit Committee shall focus particularly on:
 - (i) financial reporting and accounting policies and practices and any changes in these 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, other applicable rules and legal requirements in relation to financial reporting;
7. In relation to paragraph 6 above:
 - (i) Members of the Audit Committee should liaise with the 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 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 Company's staff responsible for the accounting and financial reporting function, compliance officer (or person occupying the same position) 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) to ensure the Company's practices and procedures with respect to related party transactions are adequate for compliance with the requirements under the Listing Rules and other applicable rules;
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 would not impair the external auditor's independence or objectivity having taken into account the following matters:
 - (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, risk management and internal control systems

10. to review the Company's financial controls and risk management and internal control systems with particular regard to their effectiveness;
11. to review the Company's statement on risk management and internal control systems prior to endorsement by the Board;
12. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion shall include:
- (i) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
 - (ii) the changes in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
 - (iii) 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;
 - (iv) the extent and frequency of communication of monitoring results to the Board which enables it to assess the Company's control and the effectiveness of risk management; and
 - (v) significant control failings or weaknesses that have been identified. Also, 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 Company's financial performance or condition;
13. to consider major investigation findings of risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

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, to review and monitor its effectiveness;
15. to review the financial and accounting policies and practices of the Company and its subsidiaries (collectively, “Group”);
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, risk management and internal control systems and response of management;
17. to ensure that management will provide a timely response to the issues raised in the external auditor’s management letter;
18. to report to the Board on all 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 the issue 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 the Company’s employees to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should 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 any other matters specifically referred to the Audit Committee by the Board.

Corporate Governance Functions Delegated by the Board

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

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

Authority

1. The Audit Committee shall report directly to the Board.
2. The Board shall authorise the Audit Committee to investigate any activity within these Terms of Reference. The Audit Committee is authorised by the Board to inspect all the Company's accounts, books and records. 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. All the Group's employees are directed to co-operate with any request made by the Audit Committee.
3. A Director as a Member 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 Company Secretary.

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

Meetings and Minutes

1. The Audit Committee shall meet at least twice each year. The Company's Audit Committee or external auditors may request that a meeting of the Audit Committee ("Meeting") be held if it considers it necessary.
2. The quorum of the Audit Committee shall be any two Members.
3. Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present. A resolution in writing signed by all Members of the Audit Committee shall be as valid and effectual as if it has been passed at a meeting of the Audit Committee duly convened and held. 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 of communications by means of which all persons participating in the meeting are capable of hearing each other.
4. Notice of any meetings has to be given at least 14 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 meetings is not required if adjournment is for less than 14 days.
5. Full minutes of the Meetings shall be kept by the secretary of the Audit Committee. Minutes of the Meetings shall record in sufficient detail the matters considered by the Members and decisions reached, including any concerns raised by the Members and dissenting views expressed. Draft and final versions of minutes shall be circulated to all Members for their comment and records within a reasonable period of time after the Meeting. Such minutes shall be open for Directors' inspection at any reasonable time on reasonable notice.

Attendance

The Chief Financial Officer, the Head of Internal Audit, Company Secretary and a representative of the external auditor shall normally attend the Meetings. At least once a year internal auditor and representatives of the external auditor will meet with the Audit Committee without any Executive Directors and the Company's management being present, except by invitation of the Audit Committee, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise. 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 INED) of the Audit Committee, shall attend the Company's annual general meetings and be prepared to respond to the Company's shareholders' questions on the Audit Committee's activities and their responsibilities.

Publication of the Terms of Reference

The Terms of Reference is posted on the 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 request.

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.

To the extent that there is any inconsistency or discrepancy between the English version and the Chinese translation of these Terms of Reference, the English version shall prevail.

Revised and adopted on 19 August 2020.