



云 锋 金 融

# Yunfeng Financial Group Limited

## 雲 鋒 金 融 集 團 有 限 公 司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 376)**

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### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### A. CONSTITUTION

The audit committee (the “Committee”) of Yunfeng Financial Group Limited (the “Company”, together with its subsidiaries, collectively the “Group”) is a committee of the board of directors of the Company (the “Board”).

#### B. COMMITTEE

##### 1. Membership

- 1.1** Members of the Committee shall be appointed by the Board from amongst the non—executive directors of the Company only and shall consist of not less than three (3) members, at least one of whom is an independent non-executive director with appropriate qualifications of accounting or related financial management expertise as required in Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The majority of the Committee members shall be independent non-executive directors of the Company.
- 1.2** The chairman of the Committee shall be an independent non-executive director therein appointed by the Board from time to time.
- 1.3** The company secretary of the Company shall be the secretary of the Committee, and, in the absence of the company secretary, any such other person as may from time to time be nominated by the company secretary, subject to the approval of the Committee, shall act as the secretary of the Committee.

**1.4** A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Committee within a period of at least two (2) years from the date of his/her ceasing:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm, whichever is later.

**1.5** The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board.

## **2. Proceedings of the Committee**

### **2.1 Notice**

2.1.1 Unless otherwise agreed by all the Committee members, a meeting of the Committee shall be called by at least seven (7) days' notice.

2.1.2 A member of the Committee may and, on the request of a member of the Committee, the secretary to the Committee shall, at any time summon a meeting of the Committee. Notice shall be given to each member of the Committee orally in person or in writing or by telephone or by telex or telegram or facsimile transmission or email at the telephone number or facsimile number or address or email address from time to time notified to the secretary by such member of the Committee or in such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.

2.1.3 Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting.

### **2.2 Quorum**

The quorum of the Committee meeting shall be two members of the Committee.

### **2.3 Attendance of meetings by non-members**

The chief financial officer (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors of the Company shall normally attend meetings of the Committee. The executive directors of the Company shall also have the right of attendance.

## **2.4 *Frequency of meetings***

Meetings shall be held at least twice a year with the presence of the external auditors. The external auditors may request the Chairman of the Committee to convene a meeting, if they consider that one is necessary.

## **2.5 *Voting***

Resolutions of the Committee at any meeting shall be passed by a majority of votes of the members of the Committee present.

## **2.6 *Others***

Meetings could be held in person, by telephone or by video conference. Members of the Committee may participate in a meeting by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other.

## **3. *Written resolutions***

Resolutions may be passed by all members of the Committee in writing.

## **4. *Alternate members***

A member of the Committee may not appoint any alternate.

## **5. *Authority***

The Committee is authorised to evaluate and supervise the financial reporting process, risk management and internal control systems of the Group. In exercising such authorities, the Committee shall have the power:

- (a) to seek any information it requires from any employee of the Group and any legal and professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Committee and to supply information and answer questions raised by the Committee;
- (b) to monitor whether the Group's management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time prescribed by The Stock Exchange of Hong Kong Limited and/or laid down by the Board or a committee thereof);

- (c) to investigate all suspected fraudulent acts involving the Group and its employees and request management to make investigation and submit reports;
- (d) to review the effectiveness of the Group's risk management system, internal control procedures and system and financial reporting process;
- (e) to review the performance of the Group's employees in the accounting, risk management and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group's risk management system, internal control procedures and system and financial reporting process;
- (g) to request the Board to take all necessary action, including convening a shareholders' meeting for purposes of revoking the appointment of any director and to dismiss any employees if the Committee deems there is evidence showing that the relevant director and/or employee has failed to discharge his/her duties properly;
- (h) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditors of the Group;
- (i) to retain outside legal or other independent professional and obtain their advice and to secure the attendance of independent third parties with relevant experience and expertise, if it considers this necessary; and
- (j) to be provided with sufficient resources to perform its duties.

## **6. Duties**

The Committee's duties include:

### ***Relationship with external auditors***

- (a) to act as the key representative body for overseeing the Company's relations with the external auditors, and to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

- (c) to develop and implement policy on engaging an external auditors to supply non—audit services. For this purpose, “external auditors” 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

***Review of the Company’s financial information***

- (d) to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the 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 legal requirements in relation to financial reporting;
- (e) Regarding (d) above:
  - (i) members of the Committee shall liaise with the Board and senior management and the Committee must meet, at least twice 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 the report and accounts, 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 external auditors;

***Oversight of the Company's financial reporting system, risk management and internal control systems***

- (f) to review the Company's financial controls, risk management and internal control systems;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (h) 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;
- (i) where an internal audit function exists or external professionals engaged to review risk management and internal control systems of the Company, to review the relevant internal audit programme, to ensure co-ordination between the internal auditor (or the external professional reviewer on risk management and internal control systems of the Company) and external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the annual internal audit plan and discuss with the internal auditors (or the external professional reviewer) any significant findings and recommendations arising from the internal audit activities;
- (k) to review the Group's financial and accounting policies and practices;
- (l) to review the external auditors' management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of risk management and internal control and management's response;
- (m) to ensure that the Board will provide a timely response to the findings and recommendations of the internal auditors (or the external professional reviewer) and to the issues raised in the external auditors' management letter;

***Others***

- (n) to report to the Board on the matters in the code provisions as stated in Appendix 14 of the Listing Rules (as amended from time to time);

- (o) to consider other topics, as defined by the Board; and
- (p) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control systems 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.

## **7. Veto rights of the Committee**

The Committee has the following veto rights. The Group cannot implement any of the following matters which have been vetoed by the Committee:

- (a) to approve any connected transaction within the meaning of the Listing Rules which requires independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive directors and the independent shareholders); and
- (b) to employ or dismiss the Group's chief financial officer or the internal audit manager or persons holding similar positions.

## **8. Reporting procedures**

The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting or the passing of any written resolution(s) of the Committee, the chairman of the Committee shall report such findings and recommendations of the Committee to the Board.

## **9. Annual General Meeting of the Company**

The chairman or another member of the Committee shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders on the Committee's activities and responsibilities.

— END —

*The English text of these terms of reference shall prevail over the Chinese text in case of any inconsistency.*

Updated on 31 December 2018