



PERFECT GROUP

保發集團

**PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED**

**保發集團國際控股有限公司**

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

**(Stock Code: 3326)**

**TERMS OF REFERENCE  
OF THE AUDIT COMMITTEE  
ADOPTED BY THE BOARD ON 14 DECEMBER 2015  
AND REVISED ON 22 JANUARY 2016 AND 21 DECEMBER 2018**

**1. Membership**

- (a) The audit committee (the “**Committee**”) shall be appointed by the board (the “**Board**”) of directors (the “**Directors**”) of the Company from amongst the non-executive Directors and shall consist of not less than three (3) members, a majority of which should be independent non-executive Directors (“**INED(s)**”). At least one (1) member must be an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The constitution of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.
- (b) The Chairman of the Committee shall be an INED.
- (c) A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two (2) years commencing from the date of his/her ceasing:
  - (i) to be a partner of the auditing firm; or
  - (ii) to have any financial interest in the auditing firm,whichever is later.

## **2. Attendance at Meetings**

- (a) INEDs and other non-executive Directors, as equal Board members, should give the Committee on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.
- (b) For regular Committee meetings, and as far as practicable in all other cases, an agenda and accompanying papers should be sent, in full, to all Directors. These should be sent in a timely manner and at least three (3) days before the intended date of the Committee meeting (or other agreed period).
- (c) At all times the members of the Committee shall be notified of and be invited to all meetings of the Committee and may attend all the meetings of the Committee.
- (d) The quorum for a meeting of the Committee shall be three (3) members, in which at least two of whom must be INEDs.
- (e) The Chairman of the Board and the chief financial officer shall normally attend meetings of the Committee. A representative of the external auditors and lawyers shall be invited to attend the meetings of the Committee where appropriate. Other staff who have specific responsibility for an area under review may also be invited to attend.
- (f) The secretary to the Company shall be the secretary to the Committee who shall attend all meetings of the Committee.
- (g) Members of the Committee may participate in a meeting of the Committee by means of a conference telephone or other communications equipment through which all persons participating in the meeting can hear each other and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

## **3. Frequency and Proceedings of Meetings**

- (a) Meetings of the Committee shall be held not less than two (2) times a year. The external auditors or any members of the Committee may request a meeting if he/she/they consider necessary. Upon the receipt of such request, the secretary to the Committee shall convene a meeting as soon as reasonably practicable and having regard to the convenience of all members with priority given to the INEDs.
- (b) Unless otherwise agreed by all the members of the Committee, a meeting shall only be called with at least seven (7) days' prior notice.

#### **4. Committee's Resolutions**

- (a) A resolution in writing signed by all the members of the Committee shall be as valid and effective as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of Committee. Such resolution may be signed and circulated by facsimile or other forms of electronic communications. This provision is without prejudice to any requirement under the Listing Rules for a meeting of the Board or Committee to be held.
- (b) Full minutes of meetings of the Committee should be kept by the secretary to the Committee and should be open for inspection at any reasonable time on reasonable notice by any Director. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records, within a reasonable time after the meeting.
- (c) Minutes of meetings of the Committee should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed.

#### **5. Purpose and Authorities**

- (a) The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee or executive Director and such persons are directed to co-operate with any request made by the Committee.
- (b) The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain legal or other independent professional advice and to secure the attendance of other persons with relevant experience and expertise in the meetings of the Committee if it considers this necessary.
- (c) The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control and suspected infringements of any laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- (d) The Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.

- (e) Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- (f) The Committee shall be provided with sufficient resources to perform its duties.
- (g) Management has an obligation to supply the Committee with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfil his/her duties properly, a member of the Committee may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he/she may need to make further enquiries. Where any member of the Committee requires more information than is volunteered by management, he/she should make further enquiries where necessary. So, the Committee and the members of the Committee should have separate and independent access to the Company's senior management.
- (h) The Board should not delegate matters to the Committee to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions.

## **6. General Responsibilities**

- (a) The Committee shall serve as a focal point for communication between other Directors, the external auditors and the internal auditors regarding their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
- (b) The Committee shall assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (the "**Group**"), and as to the adequacy of the external and internal audits.
- (c) The Committee shall fulfil other responsibilities as required by the Listing Rules as amended from time to time.

## 7. Power and Duties

The power and duties of the Committee shall be:

### *Relationship with the Company's auditors*

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of external auditors, and to approve remuneration and terms of engagement of external auditors, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor 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 reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee shall 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 should liaise with the Board and senior management and the Committee must meet, at least twice a year with the Company's external auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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 auditors;

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

- (f) to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee or by the Board itself, to review the Company's 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, 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 its effectiveness;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about 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 above matters;

- (n) to consider other topics, as defined by the Board;
- (o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the Company's relations with the external auditor.

## **8. Reporting Procedures**

- (a) The Committee should report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
- (b) Full minutes of Committee meetings of the Committee shall be kept by the secretary to the Committee. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- (c) Copies of the minutes of meetings of the Committee shall be provided to the Board at its meetings.
- (d) The chairman of the Board should invite the chairman of the Committee to attend the annual general meeting. In his/her absence, the chairman of the Board should invite another member of the Committee or failing this his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

## **9. Revision of the terms of reference**

These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong.