

# TFG INTERNATIONAL GROUP LIMITED

富元國際集團有限公司

(the “Company”)

*(Incorporated in the Cayman Islands)*

## TERMS OF REFERENCE OF AUDIT COMMITTEE

(the “Committee”)

*(amended and updated in April 2019)*

### 1. Membership

- (a) The Committee shall be appointed by the board of directors (“the Board”). The Committee shall be made of not less than three members, a majority of whom shall be Independent Non-Executive Directors.
- (b) Only members of the Committee have the right to attend Committee meetings. Other individuals such as Chairman of the Board shall be in attendance with other senior management if deemed appropriate and invited by the Committee.
- (c) The Board shall appoint the Chairman of the Committee who shall be an Independent Non-Executive Director. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of their members to chair the meeting.
- (d) 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 years commencing (i) the date he/she ceasing to be a partner of the firm; or (ii) the date of his/her ceasing to have any financial interest in the firm; whichever is the later.
- (e) The Company Secretary of the Company shall act as the Secretary of the Committee.

### 2. Frequency and proceedings of meetings

- (a) The Committee shall meet at least twice a year. Additional meetings should be held as the work of the Committee demands.
- (b) The Chairman of the Committee may convene additional meetings at his/her discretion.
- (c) The quorum necessary for transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercised by the Committee.
- (d) Meetings of the Committee shall be conducted in accordance with the provisions of the Company’s Articles of Association governing the proceedings of Directors of the Company.

### **3. Committee's Resolutions**

A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held and may consist of several documents in like form each signed by one or more of the members of the Committee.

### **4. Responsibilities**

The Committee shall

- (a) make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (c) review the half-year and annual financial statements before submission to the Board, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental 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 Listing Rules and legal requirements in relation to financial reporting
- (d) discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (e) review the external auditor's management letter and management's response;
- (f) monitor management's strategy for ensuring that appropriate controls are in place and that these controls are functioning properly;
- (g) 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;

- (h) 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;
- (i) 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;
- (j) 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;
- (k) 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;
- (l) act as the key representative body for overseeing the Company's relations with external auditor; and
- (m) consider other topics as defined by the Board.

## **5. Authority**

- (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 and all employees are directed to co-operate with any request made by the Committee.
- (b) The Committee is authorised by the Board to obtain legal or either independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **6. Reporting procedures**

The minutes of meetings/written resolutions of the Committee shall be circulated to all members of the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report the findings and recommendations of the Committee to the Board.