

# VALUE PARTNERS GROUP LIMITED 惠理集團有限公司

## Terms of Reference for Audit Committee

### **Purpose**

1. The purpose of the Audit Committee is to assist the board of directors (the “**Board**”) of Value Partners Group Limited 惠理集團有限公司 (the “**Company**”) to consider how the Board should apply financial reporting and internal control principles and maintain an appropriate relationship with the Company’s auditor.

### **Membership**

2. The Audit Committee shall comprise a minimum of three members consisting of non-executive directors only and a majority of which must be independent non-executive directors of the Company. The Audit Committee must comprise of at least one independent non-executive director who has appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (as amended from time to time). A quorum shall be two members.
3. The chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive director.

### **Attendance at meetings**

4. Members of management and/or parties external to the Company (such as representatives of the external auditor for annual and interim results) may be invited by any member of the Committee to attend any meeting of the Committee or part thereof. However, at least once a year the Audit Committee shall meet with the external auditor separately without executive Board members present.
5. The company secretary of the Company (the “**Company Secretary**”) shall be the secretary of the Audit Committee.

### **Frequency of meetings**

6. The Audit Committee shall meet at least twice annually or more frequently if circumstances require. The Board, any audit committee member and the external auditor may request a meeting if they consider that one is necessary.

### **Authority**

7. The Audit 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 will be directed to co-operate with any request made by the Audit Committee.

8. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Audit Committee if it considers this necessary.

## **Duties**

9. The duties of the Audit Committee shall include the following:–
  - (a) to be primarily responsible for making recommendations 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 its resignation or dismissal;
  - (b) to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit 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 policies 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;
  - (d) to monitor the integrity of the Company’s financial statements and annual report and accounts, half-yearly 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 Audit Committee should focus 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 the Listing Rules and legal requirements in relation to financial reporting;

the Audit 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 auditor;

- (e) to review the Company's financial controls, and unless expressly addressed by a separate board committee, or by the Board itself, to review the Company's risk management and internal control systems while the Board remains the ultimately responsible to ensure the Company establishes and maintains appropriate and effective risk management and internal controls systems;
- (f) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have adequate, efficient and 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;
- (g) 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;
- (h) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is independent and objective, free of operating responsibilities, adequately resourced and has the appropriate standing within the Company, with a direct line of communication to the Audit Committee, and to review and monitor its effectiveness;
- (i) to review the Group's financial and accounting policies and practices;
- (j) 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;
- (k) to ensure that the Board will provide a timely response to the issues raised by external auditor;
- (l) to report to the Board on the matters set out in the Corporate Governance Code (the "**Code**") under the Listing Rules including:
  - (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
  - (ii) to review and monitor the training and continuous professional development of directors and senior management;
  - (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  - (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
  - (v) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report;

- (m) 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (n) to act as the key representative body for overseeing the Company's relationship with the external auditor;
- (o) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company; and
- (p) to consider such other matters as the Board may from time to time determine.

### **Reporting procedures**

10. The Company Secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board as soon as practicable after the conclusion of any meeting of the Audit Committee.

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