

# **AEON CREDIT SERVICE (ASIA) COMPANY LIMITED**

## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **Membership**

1. Members of the Audit Committee shall be appointed by the Board of Directors of the Company from amongst the Non-executive Directors of the Company and shall consist of not less than three members. The majority of the members of the Audit Committee must be Independent Non-executive Directors and at least one Independent Non-executive Director must have the appropriate professional qualifications or accounting or related financial management expertise.
2. The Chairman of the Audit Committee shall be appointed by the Board and must be an Independent Non-executive Director.
3. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later.

#### **Attendance at Meetings**

4. The Finance Director, the Head of Internal Audit, the Head of Risk Management and a representative of the external auditor shall normally attend meetings. Other Board members or other persons may also attend meetings. However, at least twice a year the Audit Committee shall meet with the external auditor without executive Board members present.
5. The Head of Internal Audit or his/her nominee shall be the secretary of the Audit Committee.

#### **Frequency and Proceedings of Meetings**

6. Meetings shall be held not less than twice a year. The external auditor may request a meeting if they consider necessary.
7. Unless otherwise agreed by all the members, a meeting shall be called by at least 14 days' notice.
8. The quorum for a meeting shall be two members.
9. Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by electronic means including telephonic or video conferencing.

10. Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of members present. In the case of an equality of votes, the Chairman shall have a second or casting vote.
11. A resolution in writing signed by all members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

### **Annual General Meeting**

12. The Chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing him his duly appointed delegate shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and responsibilities.

### **Authority**

13. The Audit Committee is authorized 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 Audit Committee.
14. The Audit Committee is authorised to obtain, at the expense of the Company, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers this necessary.
15. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Audit Committee shall arrange for the Corporate Governance Report in the Annual Report of the Company to include an explanation of the Audit Committee's view and the reasons why the Board has taken a different view.

### **Duties**

16. The duties of the Audit Committee shall be:

#### *Relationship with the Company's External Auditor*

- (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 and to discuss with the external auditor the nature and scope of audit and reporting obligations before the audit commences;
- (c) 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 internally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

*Review of the Company's financial information*

- (e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and 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 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;

- (f) Regarding (e) 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; and
- (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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 external auditor;

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

- (g) to review the Company's financial controls, risk management and internal control systems;
- (h) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. Such discussion should include the adequacy of resources, staff qualifications

and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;

- (i) 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 and review the statements concerning risk management and internal control to be included in the annual report;
- (j) to ensure co-ordination between the internal and external auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company for it to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Company's financial reporting system and risk management and internal control systems, and to review and monitor the effectiveness of the internal audit function;
- (k) to review and approve the annual internal audit plan;
- (l) to review the Group's financial and accounting policies and practices;
- (m) to review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) to report to the Board on the matters set out in in these terms of reference;
- (p) 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 ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (q) to consider other topics, as defined by the Board;

*Performance of corporate governance functions*

- (r) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (s) to review and monitor the training and continuous professional development of Directors and senior management;

- (t) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (u) 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 Corporate Governance Code of Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report.

### **Reporting Procedures**

17. Full minutes of the meetings of the Audit Committee and all written resolutions of the Audit Committee shall be kept by the company secretary. Such minutes and written resolutions shall be open for inspection by the Directors.
18. The secretary of the Audit Committee or the company secretary shall circulate the draft and final versions of minutes of the meetings or, as the case may be, written resolutions of the Audit Committee to all members of the Audit Committee for their comments and records respectively within a reasonable time after the meeting or the passing of the written resolutions.
19. The secretary of the Audit Committee or the company secretary shall circulate the agenda and supporting papers and materials and draft and final versions of the minutes of the meetings or, as the case may be, written resolutions of the Audit Committee to all members of the Board.
20. The Audit Committee should report to the Board on any matters which come to their knowledge that may significantly impact on the financial condition and affairs of the Company and make appropriate recommendations.

### **Publication of the Terms of Reference**

21. The terms of reference of the Audit Committee will be posted on the websites of the Company and the Stock Exchange. A copy of the terms of reference will be made available to any person without charge upon request.
22. In the event of any conflict between the terms of reference of Audit Committee in English and its Chinese translation, the English version shall prevail.

20 December 2018