

TOMSON GROUP LIMITED

Terms of Reference for Audit Committee

Constitution

1. The Board of Directors of the Company (the “Board”) hereby constitutes and establishes a Committee of the Board to be known as the Audit Committee with authority and duties as described below.

Membership

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members. The majority of the Committee members must be independent non-executive directors, at least one of whom with 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”).
3. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.

Secretary

4. The company secretary of the Company shall be the secretary of the Committee.

Meetings

5. Meetings of the Committee shall be held not less than twice a year. The external auditor may request a meeting if it considers it necessary.
6. (a) The quorum for the meetings of the Committee shall be not less than two-third of the total number of Committee members.

(b) The Company’s financial controller and/or qualified accountant (if any), and a representative of the external auditor shall normally attend meetings. Other Board members shall also have the right of attendance. The Committee shall however meet at least once a year with the external auditor without executive Board members present.
7. Full minutes of the Committee should be kept by the secretary of the Committee.

Authority

8. 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.
9. The 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 if it considers it necessary.
10. The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

Duties

11. The duties of the Committee shall be:-

A. Relationship with the Company's 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. 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 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 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;

B. 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, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these accounts and 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;
- (f) Regarding (e) above:-
- (i) members of the Committee should liaise with the Board, senior management and financial controller and the Committee must meet, at least twice a year, with the Company's auditor(s);
 - (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 auditor(s); and
 - (iii) the Committee should review the draft representation letter prior to approval by the Board;

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

- (g) to review the Company's financial controls, and unless expressly addressed by the Board itself, to review the Company's 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. 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) 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;
- (j) 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;
- (k) to review the group's financial and accounting policies and practices;
- (l) 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;

- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) 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;
- (o) to report to the Board on the matters in these terms of reference; and
- (p) to consider other topics, as defined by the Board.

Reporting procedures

12. The secretary of the Committee shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

Revised on the 18th day of December, 2015