



高裕金融集團有限公司
Gaoyu Finance Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8221)

Audit Committee

Terms of Reference

These Terms of Reference have been issued in the English language with a separate Chinese language translation. If there is any conflict in the Terms of Reference between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Gaoyu Finance Group Limited

高裕金融集團有限公司

Terms of Reference of Audit Committee

A. Establishment

1. The board (the “Board”) of directors (the “Director(s)”) of Gaoyu Finance Group Limited (the “Company”) has resolved to establish a committee of the Board to be known as the Audit Committee (the “Committee”) on 5 December 2016.

B. Membership

2. The members of the Committee shall be appointed by the Board from time to time amongst the non-executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive Directors.
3. At least one member shall have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).
4. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing:
 - (i) to be a partner of the firm; or
 - (ii) to have any financial interest in the firm,whichever is later.
5. The chairman of the Committee (“Chairman”) shall be an independent non-executive Director and appointed by the Board.

C. Attendance at meetings

6. The company secretary of the Company or such other person appointed by the Committee shall be the secretary of the Committee.
7. Meeting may be held in person, by telephone or video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
8. A quorum for the Committee meeting shall be two members.
9. At the invitation of the Committee, the Director(s) and/or management staff of the Company in

charge of finance and accounting functions, the head of internal audit (if applicable), and representative(s) of the external auditor may attend meetings of the Committee. However, at least twice a year the Committee shall meet with the external auditor without executive Board members present (unless invited by the Committee).

D. Frequency of meetings

10. Meetings shall be held not less than twice a year.
11. The external auditor may request a meeting if they consider that one is necessary.
12. The Chairman in consultation with the secretary, shall decide the frequency and timing of its meetings. There shall be as many meetings as the Committee's duties and responsibilities require.

E. Voting

13. Only members are entitled to vote at the meetings.
14. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the chairman of the meeting who shall be the Chairman (or, in his/her absence, any one member of the Committee who: (a) is an independent non-executive Director; (b) is present thereat; and (c) is elected by the members present to chair the meeting) shall have a second or casting vote.

F. Resolutions in writing

15. A resolution in writing signed by all of the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee. Any such resolution may be contained in a single document or may consist of several documents all in like form.

G. Authority

16. The Committee is authorised by the Board to investigate any activity within these Terms of Reference. It is authorised to seek any information it requires from the Company and the management of the Company shall co-operate with any request made by the Committee.
17. The Committee is authorised by the Board to obtain outside legal or other independent professional advice to perform its duties and to invite the attendance of outsiders with relevant

experience and expertise if it considers this necessary.

18. 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.
19. Where there is disagreement between the Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreements cannot be resolved, the Committee shall have the right to report the issue to the shareholders as part of the report on its activities in the annual report.
20. The Committee shall be provided with sufficient resources to perform its duties.

H. Duties

21. The duties of the Committee shall include the following aspects:

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, and to 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;

Review of the Company's financial information

- (e) to review and monitor the integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly report, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:-
- any changes in accounting policies and practices;
 - major judgmental areas;
 - significant adjustments resulting from audit;
 - the going concern assumptions and any qualifications;
 - compliance with accounting standards; and
 - compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
- (f) Regarding (e) above:-
- 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 auditor; and
 - 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;

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 a separate board risk committee, or by the board itself, to review the Company's internal control and risk management systems at least annually. The scope of review should cover all material controls, including financial, operational and compliance controls, and should in particular, consider:
- the changes, since the last annual review, in the nature and extent of significant risks (including environmental, social, and governance ("ESG") risk), and the Company's ability to respond to changes its business and the external environment;
 - the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;

- the extend and frequency of communication of monitoring results to the Board (or Board committee(s)) for the purpose of assessing the adequacy and the effectiveness of risk management and internal control systems;
 - significant control failings or weaknesses identified during the review of the risk management and internal control systems, and the extend to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition, and any remedial measures taken to address such control failings or weaknesses;
 - the effectiveness of processes for financial reporting and GEM Listing Rules compliance; and
 - the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, and financial reporting functions, as well as those relating to the Company's ESG performance reporting.
- (h) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have appropriate and effective risk management and internal control systems for the purpose of dealing with identified risks, safeguarding the Company's assets, preventing and detecting fraud, misconduct and loss, ensuring the accuracy of the Company's financial reports and achieving compliance with applicable laws and regulations. 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. Where there is no internal audit function, the Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report;
- (k) to review the Company and its subsidiaries' 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 report to the Board on the matters in these Terms of Reference;
- (o) to consider other topics, as defined by the Board; and

Relationship with the Company's employees

- (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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

I. Reporting procedures

- 22. Without prejudice to the generality of the foregoing, the Committee shall 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). The reporting shall be done by the Chairman or any such other person designated by the Committee.
- 23. The secretary shall circulate (i) the draft and final versions of the minutes of the meetings to all Committee members for their comment and records respectively within a reasonable time after the meetings; and (ii) the minutes of the meetings and reports of the Committee to all members of the Board.

J. Publication of these Terms of Reference

- 24. These Terms of Reference shall be made available to the public by posting on the websites of the Company and The Stock Exchange of Hong Kong Limited.