

# ACCEL GROUP HOLDINGS LIMITED

## 高陸集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 1283)

(the “Company”, together with its subsidiaries, the “Group”)

### Terms of reference of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of the Company

#### 1. Constitution

1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 18 September 2019.

#### 2. Membership

2.1 Members of the Committee shall be appointed by the Board from amongst only the non-executive directors of the Company and shall consist of not less than three members, the majority of whom should be independent non-executive directors. At least one member is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2.2 The chairperson of the Committee shall be appointed by the Board and shall be an independent non-executive director.

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

2.4 The appointment of the members or secretary of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.

2.5 A former partner of the Group’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from the date of his/her ceasing:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm,

whichever is later.

### 3. Proceedings of the Committee

#### 3.1 *Notice:*

- (a) Unless otherwise agreed by all the Committee members (either orally or in writing), a meeting shall be called by giving at least seven days' notice.
- (b) A Committee member may and, on the request of a Committee member, the secretary to the Committee shall, at any time summon a Committee meeting. Notice shall be given to each Committee member in person orally or in writing or by telephone or by email or by facsimile transmission at the telephone or facsimile or address or email address from time to time notified to the secretary by such Committee member or in such other manner as the Committee members may from time to time determine.
- (c) Any notice given orally shall be confirmed in writing as soon as practicable and before the meeting.
- (d) Notice of meeting shall state the purpose, time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting. In respect of regular meetings of the Committee to be held as mentioned in clause 3.4 below, and so far as practicable for all other meetings of the Committee, the agenda and accompanying papers shall be sent in full to all the members of the Committee in a timely manner and at least 3 days before the intended date of the meeting of the Committee (or such other period as all the Committee members may agree).

3.2 ***Quorum:*** The quorum of the Committee meeting shall be two members of the Committee.

3.3 ***Attendance:*** The finance director, the head of internal audit (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least twice a year the Committee shall meet with the external auditors without executive Board members present.

3.4 ***Frequency:*** Meetings shall be held at least twice a year or more frequently if circumstances require and with unanimous written consent to consider the budget, revised budget and, if published for publication, quarterly report prepared by the Board. The external auditors may request the chairperson of the Committee to convene a meeting, if they consider that one is necessary.

#### **4. Written resolutions**

4.1 Resolutions may be passed by all Committee members in writing, but such resolutions in writing must be signed by all members of the Committee.

#### **5. Alternate Committee members**

5.1 A Committee member may not appoint any alternate.

#### **6. Authority of the Audit Committee**

6.1. The authority of the Committee is derived from the Board, therefore the Committee is obliged to report to the Board on its decisions or recommendations.

6.2 The Committee is authorised by the Board to investigate any activity within the scope of these terms of reference and the Company shall provide the Committee with sufficient resources to perform its duties. It is authorised to seek any information it requires from any employee of the Group and member of the Board in order to perform its duties and all employees of the Group and members of the Board are directed to co-operate with any request(s) made by the Committee within the scope of these terms of reference.

6.3 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Group and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- (b) to monitor whether the Group's management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time determined by the Board or a committee thereof) and report to the Board should such infringements is of sufficient importance to warrant the attention of the Board;
- (c) to investigate any activity within these terms of reference and all suspected frauds involving the Group and request the management of the Group to make investigation and submit reports;
- (d) to review the Group's risk management and internal control procedures and systems;
- (e) to review the performance of the Group's employees in the accounting and internal audit department;

- (f) to make recommendations to the Board for the improvement of the Group's risk management and internal control procedures and systems;
- (g) to request the Board to convene a shareholders' meeting (if necessary) for purposes of revoking the appointment of any director and to dismiss any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his/her duties properly;
- (h) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditors of the Group;
- (i) subject to prior approval of the Board, to obtain, at the Company's expenses, independent legal or other professional advice from outsiders with relevant experience and expertise on any matters within these terms of reference as it considers necessary and to secure the attendance of such outsiders at its meetings as it considers necessary;
- (j) to commission reports or surveys as are necessary to assist in the performance of its duties at the cost of the Company;
- (k) to have access to sufficient resources in order to perform its duties;
- (l) where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Company's corporate governance report in the annual report to include an explanation of the Committee's view and the reasons why the Board has taken a different view;
- (m) to review annually these terms of reference and their effectiveness in the discharge of its duties and to make recommendation to the Board any changes it considers necessary;
- (n) to exercise such powers as the Committee may consider necessary and expedient so that their duties under section 7 below can be properly discharged; and
- (o) to perform corporate governance functions.

6.4 The Committee should be provided with sufficient resources to perform its duties.

## 7. Duties

7.1 The duties of the Committee shall be:

### *Relationship with the Group's auditors*

- (a) to be primarily responsible for making recommendation 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:
  - i. may consider all relationships between the Group and the audit firm (including non-audit services);
  - ii. may obtain from the external auditor annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
  - iii. may meet with the external auditor, at least annually in the absence of the management of the Group, to discuss matters relating to audit fees, any issue arising from the audit and any issue arising from the audit and any other matters the external auditor or the Committee may wish to arise;
- (c) to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to develop and implement policy on engaging of an external auditor to supply non-audit services. The Committee should ensure that the external auditor's provision of non-audit services does not impair its independence or objectivity. 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;

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

***Review of the Group's financial information***

- (f) to monitor the integrity of the Group'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;
- (g) in reviewing the reports mentioned in paragraph (f) before submission to the Board, to 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 assumption and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (h) regarding (f) and (g) above:
  - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Group's auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

- (i) to review the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Group's risk management and internal control systems;

- (j) 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 Group's accounting, internal audit and financial reporting function and to rectify any weakness that may be revealed from time to time;
- (k) 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;
- (l) 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 Group, and to review and monitor its effectiveness;
- (m) to review the Group's financial and accounting policies and practices;
- (n) 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;
- (o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) to review arrangements employees of the Group 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;
- (q) to report to the Board on the matters set out above;
- (r) to consider other topics, as defined or assigned by the Board from time to time;

### ***Corporate Governance Functions***

- (s) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;
- (t) to review and monitor the training and continuous professional development of directors and senior management;
- (u) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- (v) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (w) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report.

## **8. Reporting procedures**

- 8.1 Full minutes of each of the meetings of the Committee and all written resolutions of the Committee should be kept by the secretary of the Committee and shall be open for inspection at any reasonable time on reasonable notice by any director.
- 8.2 The secretary of the Committee shall send the draft and final versions of minutes of the meetings or, as the case may be, written resolutions of the Committee to all Committee members for their comment and records, within a reasonable time after the meeting or the passing of the written resolutions.
- 8.3 The secretary of the Committee shall keep record of all meetings of the Committee held during each financial year of the Company and records of individual attendance of members of the Committee, on a named basis, at meetings held during that financial year.
- 8.4 The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairperson of the Committee shall report to the Board on the findings and recommendations of the Committee.

## **9. Continuing application of the articles of association of the Company**

- 9.1 The articles of association of the Company regulating the meetings and proceedings of the directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

## **10. Powers of the Board**

- 10.1 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules or if adopted by the Company, the Company's own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

**NOTE: This document has been translated into Chinese. In case of discrepancies between the English version and Chinese version, the English version shall prevail.**