



**A8 New Media Group Limited**  
**A8 新媒體集團有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 800)

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

*(Revised and effective since 1 January 2019)*

### **1. General Provisions**

- 1.1. In order to establish and standardise an audit, risk management and internal control system and procedure for A8 New Media Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), the board of directors of the Company (the “**Board**”) established the Audit Committee (the “**Committee**”) and formulated these terms of reference (the “**Terms of Reference**”) of the Committee in accordance with the Corporate Governance Code issued by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) (the “**Code**”), the Articles of Association of the Company (the “**Articles of Association**”) and other relevant provisions.
- 1.2. The Committee is a special organ established by the Board and shall be appointed by the Board. The Committee shall be responsible for making recommendations to and advising the Board on the formal and transparent arrangements for considering the ways in which the Board shall apply the financial reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company’s auditors, and shall hold responsibilities for the Board and report the work accordingly.
- 1.3. The Terms of Reference shall be applicable to the Committee and the relevant personnel and departments relating thereto.

## 2. **Composition of the Committee**

- 2.1. The Committee shall consist of not less than three members (the “**Members**”) who shall only be the non-executive directors of the Company and the Members shall be appointed and removed by the Board.
- 2.2. The Committee shall be chaired by an independent non-executive director, and the majority of which shall be independent non-executive directors.
- 2.3. The Members shall possess in-depth accounting, financial management and legal knowledge, at least one of which shall be 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 Listing Rules.
- 2.4. The company secretary of the Company (the “**Company Secretary**”) or (in the absence of the Company Secretary) his proxy shall be appointed as the secretary to the Committee (the “**Secretary to the Committee**”). The Committee may from time to time appoint any other person with adequate qualifications and experiences to hold the position of the Secretary to the Committee.
- 2.5. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of two years from the date of the person ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.

## 3. **Duties and Rights of the Committee**

- 3.1. The Committee, when exercising its powers, must comply with the relevant provisions of the Listing Rules, Articles of Association, Terms of Reference and related laws and regulations, and shall not prejudice the interests of the Company and shareholders. The duties of the Committee include:

### *Relationships with the Company's auditors*

- (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;

Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall 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;

- (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 shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

The Committee may establish the following procedure to review and monitor the independence of external auditors:

- (i) the Committee shall consider all relationships between the Company and the audit firm (including non-audit services);
  - (ii) the Committee shall seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including the rotation of audit partners and staff; and
  - (iii) the Committee shall meet with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise;
- (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;
- (e) The Committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Committee may consider:
  - (i) whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
  - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit resulting from the provision of such non-audit services by the external auditor;
  - (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and
  - (iv) the criteria for compensation of the individuals performing the audit;

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

- (f) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports 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 Committee shall 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;
- (g) Regarding (f) above:–
- (i) The Members shall liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company’s auditors; and
  - (ii) The Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and shall 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 auditors (if necessary, in the absence of the management);

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

- (h) to review the financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company’s risk management and internal control systems of the Company;
- (i) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective system. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function;
- (j) 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;
- (k) 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;

- (l) to review the Group's financial and accounting policies and practices;
- (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; the Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action by the Company;
- (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 report to the Board on the matters in the provisions of the Code;
- (q) to consider other matters as determined by the Board.

**Other functionalities**

- (r) to consider agreeing with the Board the Company's policies on hiring of the employees or former employees of the external auditors and monitoring the application of such policies. The Committee shall then be in a position to consider whether there has been or appears to be any impairment of the auditor's judgement or independence for the audit;
- (s) to report to the Board its decision or recommendation unless otherwise prohibited by laws or regulatory restrictions (such as restrictions on disclosure from regulatory requirements);
- (t) to answer questions at the annual general meetings by the chairman of the Committee or, in the absence of the chairman of the Committee, by another Member or failing this his duly appointed delegate upon the request of the Chairman of the Board; and

to make available the Terms of Reference, explaining its role and the authority delegated to it by the Board on the websites of the Stock Exchange and the Company. The website of the Company is [www.a8nmg.com](http://www.a8nmg.com).

3.2. The Committee shall have the following rights with the authorisation of the Board:

- (a) to have unrestricted powers to investigate the personnel, records and files of the Company when fulfilling its duties;
- (b) to investigate activities within the Terms of Reference;
- (c) to access to the Company's accounts, books and records;
- (d) to attend or sit in at the Company's meetings;
- (e) to oversee the implementation of the arrangements for the Company's application of the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors; and
- (f) to be provided with sufficient resources to discharge its duties. The Committee may, in discharging its duties, seek independent professional advice when necessary at the expense of the Company.

#### 4. **The duties of the chairman of the Committee**

The duties of the chairman of the Committee shall include the followings:

- (a) to convene and preside over meetings of the Committee;
- (b) to oversee and review the works of the Committee;
- (c) to execute the relevant documents of the Committee;
- (d) to report the works of the Committee to the Board;
- (e) to ensure the Committee to operate and discharge its duties effectively;
- (f) to ensure the Committee to draw a clear and specific conclusion on every resolution so discussed; and
- (g) other duties as required by the Board.

#### 5. **Proceedings of the Committee**

##### **Convening of meetings**

- 5.1. The Committee shall meet at least twice a year and may hold additional meetings if necessary. The meetings shall be convened by the chairman of the Committee or the Members or the management of the Company after obtaining the approval of the chairman of the Committee.
- 5.2. There shall be two of the Members of whom at least one is an independent non-executive Director present at the meetings of the Committee to constitute a quorum.
- 5.3. The chairman of the Committee, upon deciding to issue a provisional notice of meeting of the Committee, shall promptly inform the Secretary to the Committee who shall serve the notice of meeting in writing on Members and the relevant personnel attending the meeting three days before the meeting (except under special circumstances). Particulars of the notice of meeting shall include the method, time, location, duration and subject of the meeting, and the time of despatch and the relevant information. However, the above requirements of notice period and procedures may be exempted upon unanimous agreement of all Members.
- 5.4. The Committee shall also convene a meeting when it is necessary to decide on a resolution within any terms provided by the Terms of Reference.
- 5.5. The Members shall, upon receiving the notice of meeting, promptly confirm their receipt in an appropriate manner and reply accordingly (including but not limited to whether to attend the meeting and their schedules).

**Attending the meetings**

- 5.6. The Members shall attend the meetings in person (attending by ways of electronic communication via telephone or video are also deemed to attending in person).
  - 5.6.1. Member who, due to certain reasons, is unable to attend the meeting in person may submit a power of attorney signed by the Member appointing other Members to attend the meeting and give opinions on his behalf. The power of attorney shall expressly state the scope and duration of the authorisation. Each Member cannot be delegated by more than two Members at the same time. The Member attending the meeting on behalf of the entrusting Member shall only exercise the rights within the conferred power.



- 5.6.2. Members who are unable to attend the meeting in person may also exercise their rights by submitting their written opinions on the proposed matters, provided that the written opinions shall be delivered to the Secretary to the Committee within the period required by the notice of the meeting prior to the meeting.
- 5.6.3. Members who neither attend the meetings of the Committee, nor appoint other Members to exercise the rights on their behalf or submit the written opinions before the meetings shall be deemed as declining their rights.
- 5.7. The Board may adjust the composition of the Committee in accordance with the Terms of Reference if the Member neither attends the meetings of the Committee in person or authorises other Members to attend on his behalf, nor does he submit the written opinions before the meeting for two consecutive times.
- 5.8. In the event that the proposed matters of the Committee contradict with the interests of the Members, the Members so interested shall avoid such matters.
- 5.9. The Company Secretary, chief financial officer, supervisors of internal audit department and external auditors of the Company shall normally attend the meetings of the Committee and, if necessary, the Committee may invite other directors and the senior management of the Company, personnel of the relevant functional departments and experts, scholars and personnel from the intermediaries as well as other parties with the relevant experiences to attend the meeting. Persons attending the meeting shall, in accordance with the requirements of the Committee, give explanations on relevant matters.

### **Consideration and voting**

- 5.10. The proposed matters shall be reviewed and discussed at the meetings of the Committee, and the Members shall fully and clearly express their own views independently in accordance with their judgement.
- 5.11. The chairman of the Committee shall, on the basis of adequate review and discussion, form an opinion on the matters transacted at the

committee meeting by summarising the discussions and opinions of the Members at the meeting, and shall provoke the Members to vote on matters so discussed by a show of hands or by poll.

- 5.12. Each Member shall have one vote and the resolutions made by the Members in respect of the proposed matters must be approved, signed and confirmed by over half of the Members who attend in person or delegate other Members to vote in favour of the proposed resolutions on their behalf or submit their written consents on the proposed resolutions in such manner as required by the Terms of Reference). Members who cast votes against the resolutions are entitled to demand their objection to be indicated in the minutes of the Committee.
- 5.13. In the event of insufficient information or materials as required by the proposed matters, resulting in over half of the Members are of the views that no discussion or judgement can be made, the Committee shall reserve the right to require the provision of additional information or materials for further consideration.
- 5.14. Save as stipulated herein, the Committee shall express its opinions with explicit agreement or disagreement with the subject matters.
- 5.15. Minutes of the Committee meetings shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by Members or dissenting views expressed. Draft and final versions of minutes of the Committee meetings shall be sent to all Members for their comment and records within a reasonable time after the meeting.
- 5.16. Full minutes of the Committee meetings should be kept by the Secretary to the Committee and shall be open for inspection at any reasonable time on reasonable notice by any Member. The minutes of the Committee meetings shall be incorporated into the Company's records in a timely manner.

## **6. Confidentiality**

The Members and other personnel attending the meeting shall have the obligation for keeping the discussed matters confidential and shall not disclose the relevant information.

## 7. **Supplementary Provisions**

- 7.1. Terms used herein shall have the same meanings as those defined in the Articles of Association unless otherwise defined.
- 7.2. The Terms of Reference shall come into force upon approval by the Board.
- 7.3. For the matters which are not covered by the Terms of Reference or are not in congruence with the provisions of the newly issued or revised laws, regulations and regulatory documents, the Listing Rules, Articles of Association of the Company or terms of reference of the Board upon the Terms of Reference become effective, the relevant laws, regulations and regulatory documents, the Listing Rules, Articles of Association of the Company or terms of reference of the Board shall prevail.
- 7.4. The right to interpret and amend the Terms of Reference shall reside with the Board.

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Updated by the Board on December 31, 2018