



Power Financial Group Limited
權威金融集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 397)

(the “Company”)

TERMS OF REFERENCE FOR AUDIT COMMITTEE

1. Objective

The audit committee (the “**Committee**”) is responsible for monitoring the integrity of the financial statements of the Company and its subsidiaries (the “**Group**”) with focus on the changes in accounting policies and practices, major judgmental areas, significant audit adjustments, going concern assumptions, and compliance with accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and other applicable legal requirements, and to review the Group’s financial reporting system, risk management and internal control systems.

2. Composition

- 2.1 The members of the Committee shall be appointed by the board of directors of the Company (the “**Board**”) and shall comprise non-executive directors of the Company only and with at least three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the members of the Committee must be independent non-executive directors of the Company.
- 2.2 The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director of the Company.
- 2.3 A former partner of the Company’s existing auditing firm shall not act as a member of the Committee for a period of one year 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.

2.4 The company secretary of the Company shall act as the secretary of the Committee who must ensure that full minutes of all meetings are kept. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records, within a reasonable time after the meeting.

3. Meetings

3.1 The meetings and proceedings of the Committee shall be governed by the provisions contained in the Company's bye-laws for regulating the meetings and proceedings of directors of the Company.

3.2 The Committee should meet at least two times a year and at such other times as the Committee determines to be appropriate to carry out its duties and responsibilities. The quorum for the meetings shall be any two members of the Committee.

3.3 The Committee may invite any appropriate persons to attend meetings of the Committee as it considers appropriate. Other Board members shall also have the right of attendance.

4. Authority

4.1 The Committee is authorised by the Board to investigate any activity within its duties and responsibilities outlined in these terms of reference.

4.2 The Committee is authorised by the Board to obtain external legal or other independent professional advice, to secure the attendance of outsiders with relevant experience and expertise, and to approve the fees payable to such advisers and any other terms of retention, if it considers necessary.

5. Duties and Responsibilities

5.1 Relationship with the Company's external auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

- (c) to develop and implement policy on engaging external auditors to supply non-audit services. For this purpose, “external auditors” include 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 meet with the external auditors, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any matters including the accounting, financial reporting or internal control matters the auditors may wish to raise; and
- (e) to act as the key representative body for overseeing the Company’s relations with the external auditors.

5.2 *Review of the Company’s financial information*

- (a) 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 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;
- (b) Regarding (a) above:
 - (i) members of the Committee should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the Company’s external auditors; and

- (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 Group's staff responsible for the accounting and financial reporting function, compliance officer or external auditors.

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

- (a) to review the Company's financial controls, and to review the Company's risk management and internal control systems;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) to review the Group's financial and accounting policies and practices;
- (f) to review the external auditors' management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (h) to report to the Board on the matters in the code provision D.3 in the Corporate Governance Code contained in Appendix 14 to the Listing Rules;
- (i) to consider other topics, as defined by the Board;
- (j) to review from time to time as appropriate these terms of reference and recommend to the Board any necessary changes; and

- (k) 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.

6. Reporting

The Committee shall report back to the Board on its decisions and progress on a regular basis as to be determined by the Committee and approved by the Board and shall provide to the Board all the information necessary to enable the Company to prepare the corporate governance report to be included in its annual report.