



KOALA Financial Group Limited

樹熊金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8226)

(the “Company”)

TERMS OF REFERENCE OF AUDIT COMMITTEE (THE “COMMITTEE”)

1. CONSTITUTION

- 1.1 Committee members shall be appointed by the board of directors (the “**Board**”) of the Company.
- 1.2 The Committee must consist of a minimum of three members, all of whom must be non-executive directors.
- 1.3 The majority of the Committee members must be independent non-executive directors (“**INEDs**”), at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).
- 1.4 The chairman of the Committee shall be appointed by the Board and shall be an INED.
- 1.5 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two year commencing on the date of his ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,whichever is the later.
- 1.6 The appointment of Committee members may be revoked, or additional members may be appointed to the Committee by resolutions passed by the Board.
- 1.7 The company secretary of the Company or his or her nominee shall act as the secretary of the Committee.

2. MEETINGS

- 2.1 The Committee shall meet with such frequency and at such times as it may determine, but in any event at least four times a year. The chairman of the Committee may convene additional meetings at his discretion.
- 2.2 The quorum for meetings shall be two Committee members.
- 2.3 The resolution of the Committee shall be passed by majority votes and can be passed by way of written resolution signed by all Committee members in writing. Meeting can be held through attendance in person, via telephone conference or via video conference.
- 2.4 Full minutes of the Committee meetings should be kept by a duly appointed secretary of the meetings. Draft and final versions of minutes of the Committee meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.
- 2.5 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 chairman of the Committee shall report to the Board on the findings and recommendations of the Committee.

3. ROLE AND AUTHORITY

- 3.1 The Committee is authorised by the Board to investigate any activity within its terms of reference; and to seek any information it requires from any employee(s), whereas all employees are directed to co-operate with any request made by the Committee.
- 3.2 The Committee reviews and monitors the independence of external auditors.
- 3.3 The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 3.4 The Committee may invite any director(s), executive(s), external auditor(s) or other person(s) to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective(s).

- 3.5 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee should include in the corporate governance report a statement from the Committee explaining its recommendation and also the reasons(s) why the board has taken a different view.

4. FUNCTIONS

The functions of the Committee shall be:-

- 4.1 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;
- 4.2 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;
- 4.3 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;
- 4.4 To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, 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:
- (a) Any changes in accounting policies and practices;
 - (b) Major judgmental areas;
 - (c) Significant adjustments resulting from audit;
 - (d) The going concern assumptions and any qualifications;
 - (e) Compliance with accounting standards; and
 - (f) Compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;

- 4.5 Regarding 4.4 above:–
- (a) The Committee members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company’s auditors; and
 - (b) 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 auditors;
- 4.6 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 risk management and internal control systems;
- 4.7 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;
- 4.8 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;
- 4.9 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;
- 4.10 To review the Company and its subsidiaries’ financial and accounting policies and practices;
- 4.11 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;
- 4.12 To ensure that the Board will provide a timely response to the issues raised in the external auditor’s management letter;
- 4.13 To report to the Board on the matters in these terms of reference;
- 4.14 To consider other topics, as defined by the Board;

- 4.15 To review arrangements employees of the Company may 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; and
- 4.16 To act as the key representative body for overseeing the Company's relations with the external auditor.

December 2018

Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.