

# YGM TRADING LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(the “Company”)**

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## **Regulations (the “Regulations”) relating to the audit committee (the “Audit Committee”) of the board of directors (the “Board”) of the Company**

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### **A. Constitution**

The Audit Committee is a committee of the Board.

### **B. Audit Committee**

#### **1. Membership**

- 1.1 Members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company only and shall consist of not less than three (3) members, at least one (1) of whom is an independent non-executive director with appropriate qualifications of accounting or related financial management expertise as required in Rule 3.21 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
- 1.2 The chairman of the Audit Committee shall be appointed by the Board (the “**Chairman**”).
- 1.3 The secretary of the Audit Committee shall be appointed by the Board (the “**Secretary**”).
- 1.4 A former partner of the Company’s existing audit firm should be prohibited from acting as a member of the Audit Committee for a period of from the later of (a) the date of his/ her ceasing to be a partner of the existing audit firm; or (b) the date of his/ her ceasing to have any financial interest in the existing audit firm.
- 1.5 The appointment of the members of the Audit Committee and the Secretary may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board.

#### **2. Proceedings of the Audit Committee**

##### **2.1 Notice of meeting**

- 2.1.1 Unless otherwise agreed by all the Audit Committee members, a meeting of the committee shall be called by at least seven (7) days’ notice.
- 2.1.2 A member of the Audit Committee may and, on the request of a member of the Audit Committee, the Secretary shall, at any time summon a meeting of the Audit Committee. Notice shall be given to each member of the Audit Committee orally in person or in writing or by telephone or by telex or telegram or facsimile transmission at the telephone or facsimile or address from time to time notified to the Secretary by such member of the Audit Committee by in such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.
- 2.1.3 Notice of meeting shall state the 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 Audit Committee for the purposes of the meeting.

## **2.2 Quorum**

The quorum of the Audit Committee meeting shall be two (2) members of the Committee.

## **2.3 Attendance of meetings by non-members**

The finance director, the head of internal audit of the Company (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors of the Company shall normally attend meetings of the Audit Committee. The executive directors shall also have the right of attendance. However, the Audit Committee shall meet with the external auditors of the Company in the absence of the executive directors of the Company at least once a year.

## **2.4 Frequency of meetings**

Meetings shall be held at least once every six (6) months to consider the budget, revised budget and periodic reports prepared by the Board. The external auditors may request the Chairman to convene a meeting, if they consider that one is necessary.

## **3. Written resolutions**

Resolutions may be passed by all members of the Audit Committee in writing.

## **4. Alternate members**

A member of the Audit Committee may not appoint any alternate.

## **5. Authority**

The Audit Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company (together with its subsidiaries from time to time, the “**Group**”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Audit Committee and to supply information and answer questions raised by the Audit Committee;
- (b) to monitor whether the Group’s management has, in the performance of its 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 prescribed by the Stock Exchange and/or laid down by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request management to make investigation and submit reports;
- (d) to review the Group’s internal control procedures and system;
- (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 internal control procedures and system;
- (g) to request the Board to convene a shareholders’ meeting 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 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) to obtain outside legal or other independent professional advice at the expense of the Company and to secure the attendance of independent third parties with relevant experience and expertise, if it considers necessary; and
- (j) to be provided with sufficient resources to perform its duties.

## **6. Duties**

The duties of the Audit Committee shall include, without limitation:

### *Relationship with external 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;
- (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 Audit Committee should 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

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

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

- (ii) the Audit 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;

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

- (f) 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;
- (g) 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 issuer's accounting and financial reporting function;
- (h) 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;
- (i) 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;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

*Others*

- (m) to report to the Board on the matters in the provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules;
- (n) to consider other topics, as defined by the Board;
- (o) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) to act as the key representative body for overseeing the issuer's relations with the external auditor; and
- (q) to prepare a statement to be included in the Corporate Governance Report of the Company explaining its recommendation and reason(s) as to why the Board has taken a different view from that the Audit Committee's in relation to the selection, appointment, resignation or dismissal of the external auditors.

**7. Veto rights of the Audit Committee**

The Audit Committee has the following veto rights. The Group cannot implement any of the following matters which have been vetoed by the Audit Committee:

- (a) to approve any connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive directors and the independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or the internal audit manager.

**8. Reporting procedures**

Full minutes of meetings of the Audit Committee should be kept by the Secretary. Draft and final versions of minutes of the meetings should be sent to all members of the Audit Committee for their comment and records within a reasonable time after the meeting.

**9. Continuing applications of the articles of association of the Company**

The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and not inconsistent with the provisions of these Regulations shall apply, *mutatis mutandis*, to regulate the meetings and proceedings of the Audit Committee.

**10. Powers of the Board**

The Board may, subject to compliance with the articles of association of the Company and the Listing Rules, amend, supplement and revoke these Regulations and any resolution passed by the Audit Committee provided that no amendments to and revocation of these Regulations and the resolutions passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if these Regulations or resolution had not been amended or revoked.

Adopted on 27 March 2012  
(amended on 22 March 2016)