



## **IGG INC**

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

**(the “Company”)**

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

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(as adopted by the Board on 9 March 2015)

#### **1. Constitution**

1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 5 December 2008, and its responsibilities include:

1.1.1 to assure that adequate internal controls are in place and followed;

1.1.2 to assure that appropriate accounting principles and reporting practices are followed;

1.1.3 to provide liaison among the shareholders, management, the authorized independent auditors (the “**External Auditors**”), internal auditors or any person responsible for internal audit function (the “**IA People**”);

1.1.4 to consider the qualifications and independence of the External Auditors;

1.1.5 to satisfy itself as to compliance with any applicable legal requirements;

1.1.6 to review audit and control related corporate representations made to External Auditors, IA People and to the shareholders of the Company;

1.1.7 to ensure that good accounting and audit policies, internal control, ethics of conduct and proper business ethics have been followed in the Company;

1.1.8 to contribute towards a climate of discipline, risk management awareness and control within the Company and its subsidiaries (the “**Group**”); and

1.1.9 to implement any other duties as delegated by the Board.

## **2. Membership**

2.1 The Committee shall consist of at least three members (the “**Members**” and each a **Member**”) appointed by the Board, all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors.

2.2 At least one of the Members shall be an independent non-executive director with appropriate qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2.3 The Board shall nominate a Member, who shall be an independent non-executive director, as the chairman (the “**Chairman**”).

2.4 A former partner of the Company’s existing External Auditors is prohibited from acting as a Member for a period of one year as calculated under the Listing Rules and applicable auditor independence rules.

2.5 The appointment of the members 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.

2.6 The secretary of the Company shall act as the secretary of the Committee.

2.7 The constitution of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.

## **3. Frequency and proceedings of meetings**

3.1 The Committee should meet at least two times per year. Additional meetings shall be held as the work of the Committee demands.

- 3.2 The Committee shall meet with the External Auditors at least twice a year. At least one of the foregoing meetings should be held without any management in attendance at least once a year.
- 3.3 The quorum for a meeting shall be two Members.
- 3.4 Unless otherwise agreed by all the Members, a meeting shall be convened by at least 7 days' notice. The Committee meeting papers shall be circulated to all Members three days before the intended date of a Committee meeting by hand, by post or in electronic form.
- 3.5 Members may participate in the Committee meetings by telephone or video conference or electronic or other communications facilities provided that each member can hear and be heard by all other members throughout the meeting and such participation shall constitute presence for purposes of the quorum as set out in Paragraph 3.3.
- 3.6 A Member or the secretary of the Company may at any time summon a Committee meeting.
- 3.7 Notice shall be given to each Member orally or in writing or by telephone or by facsimile transmission or email at numbers or addresses from time to time notified to the secretary of the Company by such Member or in such other manner as the Members may from time to time determine.
- 3.8 Any notice given orally shall be followed by confirmation in writing provided by the relevant Member before the meeting.

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

- 4.1 Written resolutions may be passed by all Members in writing or by email. This provision is without prejudice to any requirement under the Listing Rules for a Board or Committee meeting to be held.

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

- 5.1 Except for the situations as specified in clause 7.3.19 below, Members may not appoint any alternate.

## **6. Authorities of the Committee**

- 6.1 The Committee has the authority delegated to it from the Board to deal with the matters set out in these terms of reference and to carry out any investigation in such connection. All employees are directed to cooperate with the Committee. The Committee is authorized by the Board, at the Company's expense, to obtain independent legal or other professional advice.
- 6.2 The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- 6.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the External Auditors, the Committee will arrange for the 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.
- 6.4 The Company should provide the Committee with sufficient resources to perform its duties.

## **7. Duties**

- 7.1 The Committee is to serve as a focal point for communication between other directors of the Company, the External Auditors and the IA People as regards their duties relating to financial and other reporting, internal controls, external audit and IA People and such other matters as the Board determines from time to time.
- 7.2 The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and as to the adequacy of the external and internal audits.

### 7.3 The Committee is to:

- 7.3.1 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 its resignation or dismissal;
- 7.3.2 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, and ensure co-ordination where more than one audit firm is involved. Procedures to review and monitor the independence of External Auditors may include:
  - 7.3.2.1 consider all relationship between the Group and the audit firm (including the provision of non-audit services);
  - 7.3.2.2 obtain from the External Auditors annual information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
  - 7.3.2.3 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 other matters the External Auditors may wish to raise.
- 7.3.3 agree with the Board the policies of the Company on hiring employees or former employees or former employees of the External Auditors and monitor the application of these policies, and consider whether there has been or appears to be any impairment of the External Auditors' judgment or independence for the audit;
- 7.3.4 develop and implement policy on the engagement of the external auditors to supply non-audit services. For the purpose of this clause, "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 shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

7.3.5 ensure that the External Auditors' provision of non-audit services (if any) does not impair its independence or objectivity. When assessing the External Auditors' independence or objectivity in relation to non-audit services, the Committee may consider:

7.3.5.1 whether the skills and experience of the External Auditors make it a suitable supplier of non-audit services;

7.3.5.2 whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the External Auditors provide non-audit services;

7.3.5.3 the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the External Auditors; and

7.3.5.4 criteria for compensation of the individuals performing the audit.

7.3.6 review with External Auditors and IA People, the Group's management, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the directors to be included in the annual accounts prior to endorsement by the Board;

7.3.7 monitor integrity of the financial statements, annual report and accounts, half-year reports (including directors' report, chairman's statement and management discussion and analysis) and, if prepared for publication, quarterly reports of the Company, 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:

7.3.7.1 any changes in accounting policies and practices;

7.3.7.2 major judgmental areas;

7.3.7.3 significant adjustments resulting from the audit;

7.3.7.4 the going concern assumption and any qualifications;

7.3.7.5 compliance with accounting standards

7.3.7.6 compliance with the Listing Rules and legal requirements in relation to financial reporting; and

7.3.7.7 review the fairness of connected transactions and making disclosures in accordance with the Listing Rules and accounting standards.

7.3.8 Regarding to 7.3.7 above:

7.3.8.1 Members should liaise with the Board and senior management of the Company, and the Committee must meet, at least twice a year, with the External Auditors; and

7.3.8.2 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 accounting and financial reporting function, compliance officer of the Company or External Auditors;

7.3.9 review the financial controls, internal control and risk management system of the Company;

7.3.10 discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function of the Company;

7.3.11 consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to those findings;

7.3.12 where an internal audit function exists, ensure co-ordination between IA People and External Auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;

- 7.3.13 review the Group's financial and accounting policies and practices;
- 7.3.14 review the External Auditors' management letter, any material queries raised by the External Auditors to management about the accounting records, financial accounts or system of control and management's response;
- 7.3.15 ensure that the Board will provide a timely response to the issues raised in the External Auditors' management letter;
- 7.3.16 review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 7.3.17 act as the key representative body for overseeing the relations of the Company with the External Auditor;
- 7.3.18 report to the Board on the matters set out in the code provision C.3 of the Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules;
- 7.3.19 attend annual general meetings of the Company, and be available to answer questions at such annual general meetings (Note: the Chairman shall attend annual general meetings of the Company; and in the Chairman's absence, another Member or failing this, the Chairman's duly appointed delegate, shall attend). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. The Company's management should ensure the External Auditors attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence; and
- 7.3.20 consider other topics, as designated by the Board.



## **8. Reporting Procedures**

- 8.1 The secretary of the Company shall circulate the draft minutes of the meetings of the Committee to all the directors for their comment within a reasonable time after the meetings. Final minutes and reports of the meetings and all written resolutions of the Committee shall be sent to all the directors for their records within a reasonable time after the meetings.
- 8.2 The Chairman shall report to the Board on a regular basis and present a report of the Committee to the Board at least twice a year, unless there are legal or regulatory restrictions on its ability to do so (such as restriction on disclosure due to regulatory requirements).
- 8.3 Full minutes of the meetings of the Committee and written resolutions of the Committee (which should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed) shall be kept by the secretary of the Company and shall be open for inspection at any reasonable time on reasonable notice by any director of the Company.

## **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 of the Company 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 Appendix 14 “Corporate Governance Code and Corporate Governance Report”), 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.

## **11. Language**

If there is any inconsistency between the English and Chinese terms of reference, English version shall prevail.

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