



# Zall Smart Commerce Group Ltd.

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

**(Stock Code: 2098)**

## **Audit Committee      Terms of Reference**

### **1. Members**

- 1.1 The audit committee of the Company (the “**Audit Committee**”) should be established by the board of directors of the Company (“**Board**”) and it should comprise a minimum of three members.
- 1.2 The Audit Committee should comprise non-executive directors only. The majority of the Audit Committee members must be independent non-executive directors of the Company, and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The Audit Committee must be chaired by an independent non-executive director and appointed by the Board.
- 1.4 If the Audit Committee comprises a non-executive director, a former partner of the Company’s existing auditing firm should be prohibited from acting as a member of its Audit Committee 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.
- 1.5 The terms of appointment of the Audit Committee members should be determined by the Board at the appointment date.

### **2. Secretary**

- 2.1 The company secretary of the company shall act as the secretary of the Audit Committee.
- 2.2 The Audit Committee may from time to time, appoint any other person with appropriate qualification and experience to act as the secretary of the Audit Committee.

### **3. Meetings**

- 3.1 The Audit Committee should meet at least twice a year. The external auditors of the Company can call for a meeting if necessary.

- 3.2 Notice of at least 14 days should be given for any meeting, unless such notification is waived by all members of the Audit Committee. Notwithstanding the notification period, the attendance of the member of the committee at the meeting would be deemed to be treated as the waiver of the required notification requirement. If the follow-up meeting takes place within 14 days after the meeting, then no notification is required for such follow-up meeting.
- 3.3 The quorum necessary for the transaction of business of the Audit Committee shall be two members of the Audit Committee, one of whom must be an independent non-executive director.
- 3.4 Meeting can be attended in person or via electronic means including telephonic or videoconferencing. The members of the Audit Committee can attend the meeting via telephonic or any similar communication device (all persons attending such meeting should be able to hear from such member via such communication device).
- 3.5 The resolution of the Audit Committee should be passed by more than half of the members.
- 3.6 The resolution passed and signed by all members is valid, and the validity is the same as any resolution passed in the meeting held.
- 3.7 Full minutes of Audit Committee meeting should be kept by a duly appointed secretary of the Audit Committee. Draft and final versions of minutes of the meeting should be sent to all committee members for their comments and records, within a reasonable time after the meeting.

#### **4. Meeting attendance**

- 4.1 The members of the Audit Committee should meet, at least twice a year, with the Company's auditors without the attendance from the executive directors (except for the one invited by the Audit Committee).
- 4.2 Upon the invitation from the Audit Committee, the following persons can attend the meeting: (i) head of internal audit department or (if absent) the representative from internal audit department; (ii) Group financial controller (or equivalent); and (iii) the other Board members.
- 4.3 Only the members of the Audit Committee can vote in the meeting.

## **5. Annual General Meetings**

- 5.1 The chairman of the Audit Committee or (if absent) the other member of the Audit Committee (must be an independent non-executive director) should attend the annual general meeting of the Company, handled the shareholders' enquiry on the activities and responsibilities related to the Audit Committee.

## **6. Duties and Powers**

The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit. The Audit Committee's duties and powers should include:

### **6.1 Relationship with the Company's external auditors**

- 6.1.1 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 issues related to its resignation or dismissal;
- 6.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 6.1.3 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; and
- 6.1.4 the Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

### **6.2 Reviewing of the Company's financial information**

- 6.2.1 to monitor the 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:
  - (a) any changes in accounting policies and practices;

- (b) major judgemental 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 Listing Rules and legal requirements in relation to financial reporting; and

6.2.2 Regarding paragraph 6.2.1 above:

- (a) members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's external auditors; and
- (b) 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

- 6.3.6 to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of risk management and control and management's response;
- 6.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.3.8 to act as the key representative body for overseeing the Company's relationship with the external auditor;
- 6.3.9 to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation

6.4.5 review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company.

## **7. Declaration responsibilities**

7.1 The Audit Committee has to report to the Board every time after the meeting.

## **8. Authority**

8.1 The Board should delegate the Audit Committee to inspect all accounts, reports and records of the Company.

8.2 In order to fulfill its duties, the Audit Committee is eligible to ~~request~~ management of the Company to provide any figures related to the financial status of the Company, its subsidiaries and associates.

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