



Blue Moon Group Holdings Limited

藍月亮集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6993)

(the “Company”)

Terms of Reference of the Audit Committee

1 Formation

The Audit Committee (the “**Committee**”) is a sub-committee of the board of directors of the Company (the “**Board**”) to assist the Board in relation to the matters set out in paragraph 4.

2 Structure and administration

2.1 Composition

2.1.1 The Committee will consist of at least three members appointed by the Board.

2.1.2 Members of the Committee must be non-executive directors. In addition:

- (i) a majority of the members of the Committee will be independent non-executive directors; and
- (ii) at least one independent non-executive director must have “appropriate professional qualifications” or “accounting or related financial management expertise”.

2.1.3 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing (whichever is later):

- (i) to be a partner of the firm; or
- (ii) to have any financial interest in the firm.

2.2 Chairman

The Board will appoint the chairman of the Committee who must be an independent non-executive director. In the absence of a chairman and/or an appointed deputy at any meeting, the Committee will elect one of its members who is an independent non-executive director present to act as chairman. The chairman of the Committee (or if the chairman is unable to attend, another member of the Committee or the member's duly authorized representative if the member fails to attend) should attend the annual general meeting to answer shareholder questions on the Committee's activities.

2.3 Secretary

The company secretary of the Company or his/her nominee will be the secretary of the Committee.

2.4 Meetings

2.4.1 The Committee will meet at least twice a year. Additional meetings may be held at the request of any member of the Committee or at the request of the external auditor (“**Auditor**”) if they consider that one is necessary. The secretary will call meetings.

2.4.2 Unless otherwise provided in these terms of reference, proceedings of meetings of the Committee will be governed by articles 111 to 120 of the articles of association of the Company (as amended from time to time).

2.4.3 Two members will constitute a quorum.

2.4.4 Decisions of the Committee will be determined by a majority of votes and, in the event of a tie, the chairman of the Committee will have the casting vote.

2.4.5 The secretary will take and keep minutes of meetings of the Committee. Draft and final minutes of meetings of the Committee will be sent to all members for their comment and records within a reasonable time after the meeting. Minutes of all meetings of the Committee will also be sent to other members of the Board at the same time when they are sent to members.

2.5 Report

The Committee will report to the Board on their decisions or recommendations and will, where appropriate, consult with the chairman of the Board.

3 Authority

- 3.1** The Committee will investigate any activity within its terms of reference.
- 3.2** The Committee is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 3.3** The Committee is authorised to have access to sufficient resources to perform its duties and, where necessary, to obtain independent professional advice at the Company's expense, to perform its responsibilities. The Committee is authorised to approve all related fees reasonably incurred and terms of engagement of professional advisers.
- 3.4** Chief financial officer of the Company, and a representative of the Auditor shall normally attend meetings of the Committee. However, the Committee shall meet with the Auditor without executive directors or senior management of the Company present at least once a year.

4 Areas of responsibilities

4.1 External auditor

The Committee will:

- 4.1.1 recommend to the Board regarding the appointment, reappointment and removal of the Auditor, approve the remuneration and terms of engagement of the Auditor, and consider any issues regarding its resignation or dismissal;
- 4.1.2 review and monitor the 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;
- 4.1.3 develop and implement policy on engaging an Auditor to supply non-audit services (including the approval of or delegation of authority to approve non-audit services). For this purpose, "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, identify and recommend any matters where action or improvement is necessary or desirable; and

4.1.4 act as the key representative body for overseeing the Company's relationship with the Auditor.

4.2 Review of financial information

The Committee will:

4.2.1 monitor the integrity of the Company's financial statements and annual report and accounts and half-year (and quarterly, if any) reports and accounts, and review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should, in particular, focus 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 Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and other legal requirements in relation to financial reporting; and

4.2.2 in relation to the duties contained in paragraph 4.2.1 above, the Committee:

- (i) should liaise with the Board and senior management;
- (i) must meet with the Auditor at least twice a year; and
- (ii) 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 auditor.

4.3 Oversight of the financial reporting system, risk management and internal control systems

The Committee will:

- 4.3.1 review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, review the Company's risk management and internal control systems;
- 4.3.2 discuss the risk management and internal control systems with the management to ensure that the 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;
- 4.3.3 consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and responses to the investigations;
- 4.3.4 review the financial and accounting policies and practices of the Company;
- 4.3.5 review the Auditor's management letter, any material queries raised by the Auditor about accounting records, financial accounts or systems of controls and the Company's response;
- 4.3.6 ensure that the Board will provide a timely response to the issues raised in the Auditor's management letter; and
- 4.3.7 report to the company in relation to the matters listed in the section headed "Audit Committee" in Appendix 14 of the Listing Rules.

4.4 Whistle blowing

- 4.4.1 The Committee will review arrangements that employees 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 a fair and independent investigation of these matters and for appropriate follow-up action.
- 4.4.2 The Committee should establish a whistleblowing policy and system for employees and third parties who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.

4.5 Corporate governance functions

The Committee will:

- 4.5.1 formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 4.5.2 review and monitor the training and continuous professional development of directors and senior management of the Company;
- 4.5.3 review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 4.5.4 formulate, review and monitor the Company's code of conduct and compliance manual (if any) applicable to employees and directors;
- 4.5.5 review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report of the Company as set out in the Listing Rules;
- 4.5.6 review from time to time these terms of reference and recommend to the Board any necessary changes; and
- 4.5.7 consider matters outside these terms of reference when requested by the Board.

5 Terms available

- 5.1** The Committee shall make these terms of reference available on request and by including them on the websites of the Company (www.bluemoon.com.cn) and the Stock Exchange (www.hkexnews.hk) in order to explain its role and authority delegated to it by the Board.