



CHOW TAI FOOK JEWELLERY GROUP LIMITED

周大福珠寶集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1929

Audit Committee – Terms of Reference

Status

1. The Audit Committee (the “**Audit Committee**”) is a sub-committee of the board of directors (the “**Directors**”) and each a “**Director**”) (the “**Board**”) of Chow Tai Fook Jewellery Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) to which the Board has delegated consideration of matters set out below.

- (a) External audit;
- (b) Financial, non-financial and narrative reporting;
- (c) Financial reporting system, and risk management and internal control systems;
- (d) Internal audit;
- (e) Compliance, fraud and whistleblowing; and
- (f) Corporate governance.

Constitution

2. The Audit Committee was established by resolution of the Board on 17 November 2011.

Membership

3. The members of the Audit Committee shall be appointed by the Board from among the non-executive directors and shall consist of not less than three members, a majority of whom shall be independent non-executive directors and at least one of whom shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. The quorum for meetings of the Audit Committee shall be two members of whom at least one shall be an independent non-executive Director.

4. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his ceasing to be a partner of the firm; or to have any financial interest in the firm, whichever is the later.

5. The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.

Attendance at meetings

6. The Managing Director, Finance Director, the head of internal audit of the Company and a representative of the external auditors shall attend meeting at the invitation of the Audit Committee. Other members of the Board or the management may be invited to attend all or part of any meeting to deal with relevant matters on the agenda. At least once a year the Audit Committee shall meet with the external and internal auditors separately without the executive directors or management being present.

Frequency and procedure of meetings

7. Meetings of the Audit Committee shall be held at least three times a year at appropriate times in the reporting and audit cycle or otherwise as required. The chairman or any member of the Audit Committee, or the external or internal auditors may request a meeting if they consider that one is necessary.

8. An agenda and other relevant documents should be sent in full to all members in a timely manner and at least three days before the intended date of a meeting of the Audit Committee (or such other period as may be agreed by its members).

9. The Company Secretary shall be the secretary of the Audit Committee.

10. Meetings of the Audit Committee may follow the same procedures as those for meetings of the Board under the relevant provisions in the Company's articles of association, as amended from time to time.

11. Management is obliged to supply the Audit Committee with adequate information in a timely manner in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where any Director requires more detailed and complete information from the management, that Director should make any additional necessary enquiries. The Board and each Director shall have separate and independent access to management.

Annual general meetings

12. The chairman of the Audit Committee (or in his absence, his duly appointed delegate) shall attend the Company's annual general meetings and be prepared to respond to any shareholders' questions on the Audit Committee's activities.

Authority

13. The Audit Committee is authorised by the Board to perform any activity within these Terms. It is authorised to seek any information it requires from any employee of the Company or the Group and all employees shall be directed to co-operate with any request made by the Audit Committee.

14. The Audit Committee is authorised by the Board, at the Company's expense, to obtain external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit Committee shall be provided with sufficient resources to perform its duties. The Audit Committee shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Audit Committee.

Duties

15. The duties of the Audit Committee shall include:

15.1. External audit

- (a) acting as the key representative body for overseeing the Group's relationship with the external auditor;
- (b) considering and making recommendations to the Board on the appointment, reappointment and removal of the external auditor, to oversee the tendering and selection process of new auditor, to approve the remuneration (including fees for audit and non-audit services) and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal;
- (c) assessing annually the external auditor's independence and objectivity, their qualifications, expertise and resources, and the effectiveness of the audit process;
- (d) developing and implementing policy on engaging an external auditor to supply non-audit services and reporting to the Board, including approval procedures of non-audit services, the types of non-audit services to be pre-approved and assessment of whether non-audit services have a direct or material effect on the audited financial statements;
- (e) approving the policies on hiring employees or former employees of external auditors and monitoring the application of such policies;
- (f) reviewing and approving the annual external audit plan and the terms of engagement before the audit commences, including the nature and scope of the audit and reporting obligations, and ensuring co-ordination where more than one audit firm is involved;
- (g) reviewing findings of the external audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary), including but not limited to the followings:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) key audit matters and the related audit works and results;
 - (iii) key accounting and audit judgments;
 - (iv) levels of operational and financial errors identified during the audit;
 - (v) any significant disagreements with management;
 - (vi) a review of any representation letter requested by the external auditors before they are signed by management;
 - (vii) a review of 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; and ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and
 - (viii) a review of the effectiveness of the audit, including an assessment of the quality of audit, the handling of key judgments by the auditor and the auditor's response to questions from the Audit Committee, and also taking into account the comments of

management regarding the responsiveness of the external auditor to the needs of the Group.

- (h) meeting with the external auditor at least annually, in the absence of management, to discuss matters relating to its audit fees, view of its interactions with senior management, and any issues arising from the audit the auditors may wish to raise;

15.2. *Financial, non-financial and narrative reporting*

- (a) monitoring integrity of the Group's financial information, including annual and half-year reports, and any other formal announcement relating to its financial performance. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
 - (i) the application of, and any changes in the Group's financial and accounting policies and practices;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Group has followed appropriate accounting and auditing standards and made appropriate estimates and judgments taking into account the view of the external auditors;
 - (iv) the adequacy, clarity, relevance and consistency of disclosures in the financial statements and all material financial and non-financial information presented together with them in the annual and half-year reports;
 - (v) any significant financial reporting issues and judgments and all material information presented with the financial statements, such as significant adjustments resulting from audit;
 - (vi) going concern assumptions and any qualifications;
 - (vii) compliance with accounting standards and compliance with the Listing Rules and legal requirements in relation to financial reporting; and
 - (viii) any significant or unusual items that are, or may need to be, reflected in the reports and accounts and giving due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, the provision of non-financial information and compliance function, or auditors (internal or external).
- (b) reviewing any other statements requiring Board approval which contain financial information, where to carry out a review prior to Board approval would be practical and consistent with the Listing Rules and other relevant legal requirements; and
- (c) where requested by the Board, reviewing the content of the annual report and the advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides information necessary for the shareholders to assess the Company's performance, business model and strategy.

15.3. *Financial reporting system, risk management and internal control systems*

- (a) monitoring, and reviewing with management, external auditor and internal auditor, the adequacy and effectiveness of the Group's financial controls, risk management and internal control systems, and reviewing the statements to be included in the annual report concerning risk management and internal controls prior to endorsement by the Board;
- (b) discussing 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 adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, risk management, internal controls and financial reporting functions;
- (c) reviewing the reports on top tier risk of the Group on a periodic basis and reporting to the Board if thought appropriate;
- (d) considering major investigations' findings on risk management and internal control matters as delegated by the Board or on its own initiative and considering management's response to these findings;
- (e) reviewing the Group's financial and accounting policies and practices, significant controls and financial issues (if any); and
- (f) where consultants or internal group resources are engaged by management of the Group to review particular aspects of the Group's risk identification, risk management issues and/or internal control issues, the Audit Committee should have access to all such reports and presentations made by the consultants or internal teams as mentioned, and if considered appropriate request that such consultant(s) present to the Audit Committee.

15.4. *Internal audit*

- (a) reviewing and approving the annual internal audit plan to ensure it is aligned to the key risks of the business;
- (b) receiving internal audit reports or summary of reports as applicable, discussing with the internal auditor any significant findings and recommendations arising from the internal audit activities;
- (c) reviewing management's responsiveness to the findings and actions taken by the management implementing the recommendations of the internal auditor;
- (d) ensuring co-ordination between the internal and external auditors is adequate, and internal audit has appropriate standing within the Group so that it has the necessary resources and access to information to fulfil its duties and has direct access to the chairman of Audit Committee;
- (e) approving the Internal Audit Charter and reviewing and assessing annually the role and effectiveness of internal audit function in the overall context of the Group's risk management system and the work of compliance, finance and the external auditor to ensure it is appropriate for the current needs of the Group;
- (f) reviewing annually and determining whether the internal audit function of the Group is adequately resourced, and the Audit Committee is satisfied that the work quality, experience and expertise of internal audit are appropriate for the business;

15.5. Compliance, fraud and whistleblowing

- (a) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements, and receiving regular reports from the Group's compliance function;
- (b) monitoring and reviewing the Group's fraud risks, the framework of controls in place to mitigate those risks, including the Group's anti-fraud policies, practices and procedures for detecting fraud, and making recommendations to the Board as the Audit Committee may deem appropriate;
- (c) receiving and acting upon any report regarding evidence of any material violation of securities law or breach of fiduciary duty or similar violation by the Company, if such a report is submitted to the Audit Committee or as assigned by the Board;
- (d) monitoring the use and effectiveness of the whistleblowing policy and system for employees of the Group and others who deal with the Group (e.g. customers and suppliers), in confidence, raise concerns about possible improprieties in financial reporting, internal controls or other matters related to the Group and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (e) reviewing the Group's findings of internal investigations on and management's response to any suspected frauds, irregularities, failures of internal controls or infringements of laws, rules and regulations;
- (f) reviewing the compliance with the Group's code of conduct and compliance manual (if any) applicable to employees and directors, the assessment of whether proper business ethics, climate of discipline, and awareness on risk management and internal controls have been sufficiently promoted across the Group;

15.6. Corporate governance

- (a) reviewing and reporting to the Board on the compliance and matters relating to the code provisions set out in the Corporate Governance Code of Appendix 14 of the Listing Rules and the disclosure in the Corporate Governance Report;
- (b) reviewing the Company's framework, policies and practices on corporate governance and make recommendations to the Board, to the extent, if any, not already comprised within the responsibilities of other sub-committees of the Board;
- (c) reviewing the Company's policies and practices on investor relations, including the shareholders' communication policy on a regular basis; and

15.7. General

- (a) considering any other topics, as defined by the Board.

Reporting procedures

16. Full minutes of the Audit Committee's meetings shall be kept by the Company Secretary (or a duly appointed representative). The minutes shall be made available for inspection on reasonable notice by any Director. Minutes of meetings of the Audit Committee shall record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by members or dissenting views expressed. Draft and final versions of minutes of such

meetings should be sent to all members of the Audit Committee for their comment and records within a reasonable time after such meetings.

17. Without prejudice to the generality of the duties of the Audit Committee set out in these Terms, the Audit Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

18. In the event the Board takes a different view from the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall provide a statement explaining its recommendations to the Company for inclusion in the Corporate Governance Report issued by the Company in accordance with Appendix 14 of the Listing Rules.

Annual review

19. The Audit Committee shall evaluate its own performance, terms of reference and membership annually to ensure that it is performing its duties effectively and shall recommend to the Board any changes it considers necessary.

Terms available

20. The Audit Committee shall make these Terms available on request and by inclusion on the websites of the Company and The Stock Exchange of Hong Kong Limited, in order to explain its role and the authority delegated to it by the Board.

(Revised in March 2019)