



# **COURAGE INVESTMENT GROUP LIMITED**

**勇利投資集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 1145)**

**(Singapore Stock Code: CIN)**

## **TERMS OF REFERENCE**

### **FOR**

### **AUDIT COMMITTEE**

## **COURAGE INVESTMENT GROUP LIMITED**

**(the "Company")**

**(Revised version adopted on 30 December 2022)**

### **1. Membership**

- 1.1 The Audit Committee (the "**Committee**") shall be appointed by the Board of Directors (the "**Directors**") of the Company (the "**Board**") from amongst its members, and shall comprise not fewer than three (3) members, all of whom shall be Independent Directors (see Note 1 below).
- 1.2 The Chairman of the Committee shall be elected by the Board.
- 1.3 Members shall be appropriately qualified to discharge their responsibilities.
- 1.4 At least two (2) members, including the Chairman, shall have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.
- 1.5 A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least one (1) month's notice, unless otherwise agreed by the Committee.
- 1.6 The office of a member shall become vacant upon the member's resignation, retirement, removal or disqualification as a Director of the Company.
- 1.7 Any vacancy in the Committee shall be filled within two (2) months or any such time as the Board may feel is necessary to find a suitably qualified member to appoint to the Committee.
- 1.8 A former partner/director of the Company's existing auditing firm/corporation should be prohibited from acting as a member of the Committee for a period of two (2) years commencing on the date of this person ceasing to be a partner/director of the auditing firm/corporation or to have any financial interest in the auditing firm/corporation, whichever is the later.

## Note 1

An “**Independent**” Director is one who does not have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the functions of the Committee.

An “**Independent**” Director is one who has no relationship with the Company, its related companies (i.e. its subsidiaries, fellow subsidiaries or parent company) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement. Examples of relationships which would deem a Director not to be independent, include:-

- (a) a Director being employed by the Company or any of its related companies for the current or any of the past three (3) financial years;
- (b) a Director who has an immediate family member (i.e. spouse, child, adopted child, step-child, brother, sister and parent) who is, or has been in any of the past three (3) financial years, employed by the Company or any of its related companies as a senior executive officer whose remuneration is determined by the Company's Remuneration Committee;
- (c) a Director, or an immediate family member, accepting any significant compensation from the Company or any of its related companies for the provision of services for the current or immediate past financial year, other than compensation for board service;
- (d) a Director being a 10% shareholder of or a partner in (with 10% or more stake), or an executive officer of, or a director of any business organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services in the current or immediate past financial year. As a guide, payments (except for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance, credit card or bank or brokerage or mortgage or insurance accounts or transactions), unless special or favourable treatment is accorded) aggregated over any financial year in excess of HK\$1,000,000 should generally be deemed significant;
- (e) a Director who is a 10% shareholder or an immediate family member of a 10% shareholder of the Company; or
- (f) a Director who is or has been directly associated with a 10% shareholder of the Company, in the current or immediate past financial year.

The six relationships set out above are not exhaustive, and are examples of situations which would deem a Director to be not independent. In addition to the above relationships, the factors set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx Rules**”) shall be taken into account in assessing whether a Non-Executive Director is “**independent**”. In the event of any conflict between the above relationships and the factors set out in Rule 3.13 of HKEx Rules, the more onerous provisions shall prevail. Furthermore, the independence of a Director who has served on the Board beyond nine (9) years from the date of his/her first appointment should be subject to particularly rigorous review.

If the Company wishes, in spite of the existence of one or more of the relationships in the paragraph above or the factors set out in Rule 3.13 of HKEx Rules, to consider the Director as independent, it should disclose in full the nature of the Director's relationship and bear responsibility for explaining why the Director should be considered independent prior to his/her appointment.

A "**10% shareholder**" shall refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. "**Voting shares**" exclude treasury shares.

A Director will be considered "**directly associated**" with a 10% shareholder when the Director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation in the current or immediate past financial year. A Director will not be considered "**directly associated**" with a 10% shareholder by reason only of his /her appointment having been proposed by that 10% shareholder.

## **2. Constitution and Authority**

- 2.1 The Committee is to be given explicit authority by the Board to investigate any matter within its terms of reference, full access and co-operation by the management of the Company (the "**Management**") (including internal auditors) and full discretion to invite any Director or executive officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.
- 2.2 In addition, the Committee is to be given full authority to meet with the external auditors without other Board members, the Management or internal auditors being present.
- 2.3 The Committee is authorised by the Board at the expense of the Company to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and it shall be given reasonable resources to enable it to discharge its functions properly.
- 2.4 The Committee shall initiate amendments to its terms of reference when the need arises due to changes in legislation governing corporate governance. Any Director may give instructions for such amendments to the Committee's terms of reference, as he/she deems fit, by reason of changes in the Company's structure, organisation and/or operations which affect the matters set out in the terms of reference. Amendment to the terms of reference shall be submitted to the Committee for consideration and tabled at a Board meeting for approval.

## **3. Administration**

### **3.1 Meetings**

- (a) The Committee shall meet at least twice a year and is authorised to meet at any place for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and questions arising at any meeting shall be decided by a majority of votes. In the event of an equality of votes, the Chairman of the meeting at which the proceedings were held shall have a casting vote.
- (b) The Committee may meet together either in person or by conference telephone, conference television or similar communication equipment or any other form of audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and the quorum for such teleconference meetings shall be the same as the quorum required by a meeting of the Committee. A resolution passed by such a conference shall, notwithstanding that the members of the Committee are not present together at one (1) place at the time of the conference, be deemed to have been passed at a meeting of the Committee held on the day and at the time at which the conference was held and shall be deemed to have been held at the office

of the Company, unless otherwise agreed and the members of the Committee participating at the meeting shall be deemed to be present at that meeting.

- (c) The Chairman of the Committee shall preside at each meeting. If the Chairman of the Committee is not present within fifteen minutes after the time appointed for holding the meeting, the members present may choose one of their number to be Chairman of the meeting so long as the appointed Chairman is an Independent Director.
- (d) Any member of the Committee shall have full discretion to invite any Director or member of the Management of the Company to attend meetings of the Committee. Such meetings may also be attended by:-
  - the Chief Executive Officer;
  - the Chief Financial Officer;
  - the Head of Internal Audit; and
  - the representative of the external auditors.
- (e) The Committee shall cause minutes of all proceedings of the Committee to be entered into the Minute Book of the Company and those minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting. Drafts and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comments and records respectively, in both cases within a reasonable time after the meeting.
- (f) Unless a meeting is required to be convened by law or regulation, a resolution in writing signed by all the members of the Committee (excluding members who abstain or who are disqualified from voting) for the time being shall be valid and effectual as a resolution duly passed at a meeting of the Committee duly convened and held notwithstanding that such signing may take place at different times or places.
- (g) The notice and agenda of meetings shall be circulated at least seven (7) days before the scheduled meetings to all members of the Committee, unless otherwise agreed by the Committee.
- (h) A member of the Committee who is in any way whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of his/her interest at a meeting of the Committee.
- (i) A member of the Committee shall not vote in respect of any contract or proposed contract or arrangement with the Company in which he/she has directly or indirectly a personal material interest and if he/she shall do so, his/her vote shall not be counted.

### 3.2 Quorum

No business shall be transacted at any meeting of the Committee unless a quorum is present when the meeting proceeds to business. For all purposes the quorum shall comprise a majority of the members of the Committee.

#### 4. Duties and Responsibilities

4.1 The duties and responsibilities of the Committee shall be as follows:-

- (a) review the scope and results of audit, its cost effectiveness and the independence and objectivity of the external auditors;
- (b) review and monitor the independence and objectivity of the external auditors annually;
- (c) where the auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep under review the nature and extent of such services, so as to balance the maintenance of objectivity and value for money. For this purpose, auditors shall include any entity that is under common control, ownership or management with the audit firm/corporation or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm/corporation nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (d) monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, any formal announcements, and to review significant financial reporting judgments contained in them. In this regard, 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 HKEx Rules and the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST Listing Manual**”) and other legal requirements in relation to financial reporting.

In regard to the above,

- (i) members of the Committee must liaise with the Board and the Management and the Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports 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;
- (e) review the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting system, risk management and internal control

systems or other matters, ensuring that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up action to be taken;

- (f) meet with the external auditors and internal auditors without the presence of the Company's Management at least once a year;
- (g) review and report to the Board at least annually, the adequacy and effectiveness of the Company's risk management systems and material internal controls including financial, operational, compliance and information technology controls (see Note 2);
- (h) to discuss with the Management the systems of risk management and internal control and ensure that the Management has performed its duty to have effective risk management and internal control 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;
- (i) ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company (see Note 3);
- (j) (where applicable) approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- (k) (where applicable) ensure that the internal audit function is staffed with persons with the relevant qualifications and experience;
- (l) (where applicable) review and monitor the effectiveness of the internal audit function;
- (m) (where applicable) review, at least annually, the adequacy and effectiveness of the internal audit function;
- (n) review the Group's financial and accounting policies and practices;
- (o) review with the external auditors:-
  - the audit plan, including the nature and scope of the audit and reporting obligations before the audit commences;
  - their evaluation of the system of internal accounting controls;
  - their audit report;
  - their management letter and ensure the Management will provide a timely response; and
  - any material queries raised by the auditor to the Management in respect of the accounting records, financial accounts or systems of control and the Management's response;
- (p) ensure co-ordination where more than one audit firm/corporation is involved;
- (q) discuss problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss (in the absence

of the Management where necessary);

- (r) review the assistance given by the Management to the auditor;
- (s) review the balance sheet and profit and loss accounts of the Company and the consolidated balance sheet and profit and loss accounts, before approval by the Board;
- (t) review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the Management's response;
- (u) report to the Board its findings from time to time on matters arising and requiring the attention of the Committee;
- (v) undertake such other reviews and projects as may be requested by the Board;
- (w) consider and make recommendations to the Board on the proposals to shareholders of the Company on the appointment/re-appointment of the external auditors, the audit fee, the terms of engagement and matters relating to the resignation or dismissal of the auditors;
- (x) consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on the Committee's own initiative and the Management's response to these findings;
- (y) report to the Board on the matters set out in the section headed "Code Provisions" under code D.3 (Audit Committee) of Appendix 14 to the HKEx Rules;
- (z) disclose the following information in the Company's annual report:-
  - names of the members of the Committee;
  - details of the Committee's activities;
  - number of Committee meetings held in that year;
  - the attendance of individual members at such meetings; and
  - Measures taken to keep abreast of changes to the accounting standards and issues that have a direct impact on the financial statements.
- (aa) generally, performing such other functions and duties as may be required by the relevant laws or provisions of the HKEx Rules, the SGX-ST Listing Manual and the Corporate Governance Code ("**Hong Kong CG Code**") as set out in Appendix 14 to the HKEx Rules.

4.2 The Committee is also responsible for ensuring that any interested person transaction entered into by the Company is entered into on an arm's length basis and on terms and conditions not more favourable to the interested person than if such transaction was entered into with an unrelated third party so as to ensure that the Company is not disadvantaged by reason of transacting with the interested person rather than a third party (see note 4).

The duties and responsibilities of the Committee in relation to interested person transactions shall be as follows:-

- (a) review, at least quarterly, any interested person transactions;
- (b) ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the HKEx Rules, the SGX-ST Listing Manual and accounting standards, are complied with;
- (c) review the internal control reports to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with; and
- (d) review, from time to time, such guidelines and procedures established to monitor interested person transactions to determine if they are adequate and/or commercially practicable in ensuring that transactions between the Company and interested persons are conducted at arm's length and on normal commercial terms.

4.3 The responsibilities for implementing risk management are primarily assigned to the Management. The Board is responsible for the overall governance of risk within the Company. The Committee ensures an adequate internal control environment is aligned with the entrepreneurial philosophy of the Company as well as in compliance with the the SGX-ST Listing Manual and the Hong Kong CG Code.

The Committee has the authority to deal with, and where applicable resolve, determine and recommend to the Board, all matters falling within the scope of its purpose and duties as set out herein and all other matters that may be delegated by the Board to the Committee from time to time, including:-

- (a) to recommend principles, policies, processes and control frameworks for the management of risk;
- (b) to recommend any changes to risk appetite, as appropriate;
- (c) to sub-delegate its powers and discretions to the Chief Risk Officer or executives of the Company, with or without power to delegate further;
- (d) to advise the Board and facilitates the risk management and monitoring the risk management processes on an ongoing basis;
- (e) to provide the Board annually, or as required, with an update on the high risks, risk monitoring activities and actions taken;
- (f) to provide the Board with a register of identified risks or updated risks including suggested controls, relevant action plans, the action plan owners and the timeframe on a biennial, or on a periodic basis; and
- (g) to provide the Board with comments on whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems.

The Committee may appoint the Chief Executive Officer, the Chief Financial Officer, or a Senior Executive to be responsible for:



- (a) recommending the risk management system and risk appetite to the Committee;
- (b) establishing the recommended risk management policy, risk organisation and risk assessment approach within the Company; and
- (c) collating the sources of assurance, which inform how effectively risk is being managed and the effectiveness of the risk management system, and report the results to the Committee.

#### Note 2

*The Company's risk management and internal controls include financial, operational, compliance and information technology controls. Review of the Company's internal controls can be carried out by the internal and/or external auditors.*

#### Note 3

*The internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company, parent company or controlling enterprise with internal audit staff.*

#### Note 4

- (a) An "**interested person**" means:
  - (i) a director, chief executive officer, or controlling shareholder of the Company; or
  - (ii) an associate of any such director, chief executive officer, or controlling shareholder.
- (b) "**interested person transaction**" means a transaction between the Company, any of its subsidiaries or associated companies, and an interested person.

### **5. Reporting Procedure**

- 5.1 The minutes of all meetings of the Committee shall be circulated to all members of the Committee as soon as practicable after each meeting.

*The Chinese version of these terms of reference is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.*