



CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

周生生集團國際有限公司*

(“Company”)

(Incorporated in Bermuda with limited liability)

Stock code: 116

AUDIT COMMITTEE - TERMS OF REFERENCE

1. Constitution

The Audit Committee (“Committee”) is established pursuant to a resolution passed by the Board at its meeting held on 20 November 1998.

2. Functions and Objectives

- 2.1 The Committee is responsible for reviewing the internal control system, the work done by internal and external auditors, and risk management of the Company.
- 2.2 The Committee shall ensure the objectivity and credibility of financial reporting, and that Directors have exercised due care, diligence and skills in presenting results to shareholders.

3. Membership

- 3.1 Members of the Committee (“Member(s)”) shall be appointed by the Board from amongst the Non-Executive Directors of the Company.
- 3.2 The Committee shall consist of not less than three members.
- 3.3 The majority of the Members must be Independent Non-Executive Directors (“INED(s)”), at least one of whom with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) from time to time.
- 3.4 The Chairman of the Committee must be an INED who shall be appointed by the Board.

4. Proceedings of the Committee

- 4.1 Unless otherwise specified hereunder, the provisions contained in the Company’s Bye-Laws (as amended from time to time) for regulating meetings and proceedings of Directors shall apply to the meetings and proceedings of the Committee.
- 4.2 The Committee shall meet at least twice a year. Additional meetings of the Committee may be held as and when required. External auditor may request to convene a meeting if it considers necessary.
- 4.3 Unless otherwise agreed by all Members, a meeting shall be called by at least 7 days’ notice. Member may request at any time to summon a Committee meeting.

** For identification purpose only*

- 4.4 The quorum for the meetings of the Committee shall be two INEDs.
- 4.5 Members or other attendees may attend meetings of the Committee either in person or through other electronic means of communication or in such other manner as the Members may agree.
- 4.6 Agenda and accompanying supporting papers shall be sent to all Members and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the Members may agree).
- 4.7 The Company Secretary of the Company, or, in the absence of the Company Secretary, his/her delegates or a Member shall act as the secretary of the Committee, and must ensure that full minutes are kept of all meetings.
- 4.8 Members may request external auditor or members of senior management to attend the meeting.
- 4.9 Other Board members may attend the meetings with the consent or at the request of the Chairman of the Committee.

5. Written resolutions

Without prejudice to any requirement under the Listing Rules, written resolution may be passed and adopted by all Members.

6. Authority

The Committee is authorised by the Board to:-

- 6.1 investigate any activity within its terms of reference;
- 6.2 seek any information it requires from any staff member provided that the Group General Manager has been informed; and
- 6.3 subject to prior approval of the Board, obtain outside legal or other independent professional advice, where necessary.

7. Duties

The duties of the Committee shall include:

- 7.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the terms of engagement and remuneration of the external auditor, and any questions of its resignation or dismissal.
- 7.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to discuss with the external auditor before audit commencement on the nature and scope of the audit and reporting obligations.
- 7.3 to develop and implement policy on engaging an external auditor to supply non-audit services.

- 7.4 to monitor integrity of the Company's financial statements, report and accounts and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, with particular regard to:-
- (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) adequacy of disclosure, consistency within the financial statements and with prior disclosures;
 - (iv) significant audit adjustments;
 - (v) the going concern assumptions and any qualifications;
 - (vi) compliance with accounting standards; and
 - (vii) compliance with the Listing Rules and legal requirements.

regarding 7.4 above:-

- (a) Members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the external auditor; and
 - (b) 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 the accounting and financial reporting function, compliance officer or the external auditor.
- 7.5 to review the Company's financial controls, risk management and internal control systems.
- 7.6 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.
- 7.7 to consider major investigation findings on risk management and internal control matters as requested by the Board or on its own initiative and management's response to these findings.
- 7.8 to ensure co-ordination between the internal and external auditors; to review and monitor the internal audit programme, and to ensure that the internal audit function has adequate resources and appropriate standing within the Company, and to review and monitor its effectiveness.
- 7.9 to review management's and internal auditor's reports on the effectiveness of systems for internal control and financial reporting.
- 7.10 to meet with the internal auditor whenever it is considered necessary.
- 7.11 to review the Group's financial and accounting policies and practices. Special meetings may be called at the discretion of the Chairman of the Committee or at the request of the senior management to review significant control or financial issues.

- 7.12 to make recommendations to the Board on the resolution of any disagreements between management and the external auditor regarding financial reporting.
- 7.13 to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response.
- 7.14 to ensure that the Board will provide a timely response, if appropriate, to the issues raised in the external auditor's management letter.
- 7.15 to discuss problems and reservations arising from audits, and any matters the external auditors may wish to discuss.
- 7.16 to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 7.17 to act as the key representative body for overseeing the Company's relations with the external auditors.
- 7.18 to report to the Board on the above matters.
- 7.19 to consider other topics, as requested by the Board.

8. Reporting procedures

- 8.1 The Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as restriction on disclosure due to regulatory requirements).
- 8.2 Minutes of meetings and written resolutions of the Committee shall be circulated to all members of the Board.

*** End ***

Last update: 31 January 2023