



The Chen Hsong Group  
震雄集團

**Chen Hsong Holdings Limited**  
(the “Company”)

**Audit Committee**  
**Terms of Reference**

**(Amended and adopted by the Company pursuant to  
the Board resolution passed on 26 June 2023)**

**1. Constitution**

1.1 The board (the “Board”) of directors (the “Directors”, each a “Director”) of the Company resolved to establish a Committee of the Board known as the Audit Committee on 28 November 1998.

**2. Membership**

2.1 The Audit Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members (the “Members”), a majority of whom should be independent non-executive Directors, and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

2.2 A former partner of the Company’s existing auditing firm should be prohibited from acting as a Member for a period of two years from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

2.3 The Chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive Director.

**3. Secretary**

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

**4. Quorum and Voting at Meetings**

4.1 The quorum for meetings of the Audit Committee shall be any two Members.

4.2 Resolutions of the Audit Committee shall be passed by a majority of votes of the Members present.

**5. Attendance at Meetings**

5.1 The Finance Director and/or the Group Financial Controller, the Head of Internal Audit and/or an external internal control consultant, and a representative of the external auditors shall normally attend meetings. However, at least twice in each financial year the Audit Committee shall meet with the external and internal auditors without executive directors present.



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## **6. Frequency of Meetings**

6.1 Meetings shall be held not less than twice in each financial year. Any Member or the external auditors may request a meeting if they consider that one is necessary.

## **7. Notice of Meetings**

7.1 Notice of any meetings has to be given at least 7 days prior to any such meeting being held, unless all Members unanimously waive such notice. Notice of any adjourned meeting is not required if adjournment is for less than 14 days.

7.2 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.

## **8. Minutes of Meetings**

8.1 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

8.2 Full minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records, within a reasonable period of time after the meeting. Such minutes shall be open for inspection by Directors.

## **9. Annual General Meeting**

9.1 The Chairman of the Audit Committee or in his/her absence, another Member, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

## **10. Authority**

10.1 The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

10.2 The Audit Committee shall be provided with sufficient resources to perform its duties including but not limited to obtaining, at the expense of the Company, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

*Note: Arrangement to seek independent legal or other professional advice could be made through the Company Secretary.*



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## 11. Duties

11.1 The duties of the Audit Committee shall be:

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

- (a) 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 questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) 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. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

### *Review of the Company's financial information*

- (e) to monitor 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 (if applicable) before submission to the Board, the Audit 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;



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- (f) regarding (e) above:
  - (i) Members should liaise with the Board and senior management and the Audit Committee must meet, at least twice in each financial year, with the Company's auditors; and
  - (ii) 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 by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

***Oversight of the Company's financial reporting system, risk management and internal control systems***

- (g) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (h) to discuss 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 the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (i) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (j) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (k) to review the Group's financial and accounting policies and practices;
- (l) to review 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;



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- (o) to be responsible for the appointment and removal of the internal auditor, and to approve the remuneration and terms of engagement or compensation for loss of office of the internal auditor, and any questions of resignation or dismissal of that internal auditor;
- (p) to report to the Board on the matters in the above; and
- (q) to consider other topics, as defined by the Board.

## **12. Reporting Responsibilities**

12.1 The Audit Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements). The reporting shall be done by the Chairman of the Audit Committee or any such other person designated by the Audit Committee.