



CHOW SANG SANG HOLDINGS INTERNATIONAL LIMITED

周生生集團國際有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 116

AUDIT COMMITTEE - TERMS OF REFERENCE

1. Constitution

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

2. Objective

- 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 The Committee members 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 Committee 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 (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from time to time.
- 3.4 The Chairman of the Committee must be an INED who shall be appointed by the Board.

4. Meetings

- 4.1 Meetings shall be held at least twice per year and any time at the request of a member of the Committee. External auditor may request to convene a meeting.
- 4.2 The quorum of the meeting shall be two INEDs.
- 4.3 The Company Secretary of the Company or his/her delegates, or in the absence of the Company Secretary, a member of the Committee or his/her delegates shall act as the secretary of the Committee, and must ensure that full minutes are kept for all meetings.

* *For identification purpose only*

- 4.4 The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.
- 4.5 Committee members may request external auditor or members of senior management to attend the meeting.
- 4.6 Other Board members may attend the meetings with the consent or at the request of the Chairman of the Committee.

5. Authority

The Committee is authorised by the Board to:-

- 5.1 Investigate any activity within these terms of reference;
- 5.2 Seek any information it requires from any staff member provided that the Group General Manager has been informed; and
- 5.3 Subject to prior approval of the Board, obtain outside legal or other independent professional advice, where necessary.

6. Duties

- 6.1 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.
- 6.2 To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process; to discuss with the external auditor before audit commencement on the nature and scope of the audit and reporting obligations.
- 6.3 To develop and implement policy on engaging an external auditor to supply non-audit services;
- 6.4 To monitor integrity of the Company's financial statements, report and accounts. 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 6.4 above:-

- (a) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the external auditor; and
 - (b) due consideration must be given to any significant or unusual items or any matters that have been raised by staff responsible for the accounting and financial reporting.
- 6.5 To review the Company's financial controls, and the risk management and internal control systems.
- 6.6 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.
- 6.7 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.
- 6.8 To ensure co-ordination between the internal and external auditors; to review and monitor the internal audit programme and ensure that the internal audit function has adequate resources and appropriate standing within the Company.
- 6.9 To review management's and internal auditor's reports on the effectiveness of systems for internal control and financial reporting.
- 6.10 To meet with the internal auditor whenever it is considered necessary.
- 6.11 To review the Company's financial and accounting policies and practices. Special meetings may be called at the discretion of the Chairman or at the request of the senior management to review significant control or financial issues.
- 6.12 To make recommendations to the Board on the resolution of any disagreements between management and the external auditor regarding financial reporting.
- 6.13 To review the external auditor's management letter and management's response.
- 6.14 To ensure that the Board will provide a timely response, if appropriate, to external auditor's management letter.
- 6.15 To discuss problems and reservations arising from audits, and any matters the external auditor may wish to discuss.

- 6.16 To meet with the external auditor at the request of the external auditor.
- 6.17 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 proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 6.18 To act as the key representative body for overseeing the Company's relations with the external auditor.
- 6.19 To report to the Board on the above matters.
- 6.20 To consider other topics, as requested by the Board.

*** End ***

Last update: 25 August 2015