



## **Chuang's Consortium International Limited**

**莊士機構國際有限公司**

(“Company”)

(Incorporated in Bermuda with limited liability)

(Stock Code: 367)

### **TERMS OF REFERENCE OF AUDIT COMMITTEE (“COMMITTEE”)**

#### ***Membership***

1. The Committee shall be appointed by the directors of the board of directors of the Company (“Board”) from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent. At least one independent non-executive director must have appropriate professional qualifications or accounting or related financial management expertise. A quorum shall be two members.
2. The chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.
3. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from the date of his/her ceasing:
  - (a) to be a partner of the firm; or
  - (b) have any financial interest in the firm, whichever is later.
4. The term of each Committee member shall be the same as his/her term as a director. Subject to the Bye-laws of the Company and the applicable laws and regulations, any member of the Committee may be re-appointed by the Board and continue to act as a member of the Committee upon the expiry of his/her term of appointment relating thereof.
5. A member of the Committee who ceases to be a member of the Board shall immediately and automatically cease to be a member of the Committee.

#### ***Attendance and proceedings at meetings***

6. The head(s) of the finance and internal control department and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors without the presence of the executive Board members.

7. The company secretary shall be the secretary of the Committee.
8. Unless specified by these terms of reference, meetings and proceedings of the Committee shall be governed by the Bye-laws of the Company regulating the meetings and proceedings of the directors.

***Frequency of meetings***

9. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

***Authority***

10. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
11. The Committee is authorised by the Board 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.
12. The Committee shall be provided with sufficient resources to perform its duties.

***Duties***

13. The duties of the Committee shall be:

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

- (a) to act as the key representation body for overseeing the Company's relations with the external auditor;
- (b) 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;
- (c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) 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 of all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

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

- (e) to monitor integrity of the Company's financial statements, 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;
- (f) Regarding (e) above:-
  - (i) members of the Committee should liaise with the Board, senior 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 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, 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 review arrangements employee of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and should ensure that arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
- (j) 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;

- (k) 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;
- (l) to review the group's financial and accounting policies and practices;
- (m) 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;
- (n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) to report to the Board on the matters in these terms of reference;
- (p) to establish a whistleblowing policy and system for employees to raise concerns, in confidence, with the Committee about possible improprieties in financial matters related to the Company; and
- (q) to consider other topics, as defined by the Board.

***Reporting procedures***

14. The secretary of the Committee shall record, keep and circulate the final versions of minutes of meetings and reports of the Committee to the Board, and drafts and final versions of the minutes to the members of the Committee and make the full minutes available for inspection at any reasonable time on prior reasonable notice by any director.
15. The Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless prohibited by applicable laws and regulations.
16. The Committee chairman, or in his/her absence, another member of the Committee, or failing which his/her duly appointed alternate shall attend the annual general meeting of the Company and be available to answer questions thereat on the Committee's activities and its responsibilities.

01.01.2019