



Tsui Wah Holdings Limited
翠華控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1314)

Terms of Reference — Audit Committee

(Adopted by the Board on 5 November 2012, revised on 31 March 2016 and further revised on 1 January 2019)

1. Constitution

The board of directors of Tsui Wah Holdings Limited (the “**Company**”, the “**Directors**” and the “**Board**”, respectively) resolved the establishment of the audit committee of the Company (the “**Committee**”) and adopted the terms of reference of the Committee (the “**TOR**”) on 5 November 2012, revised the TOR on 31 March 2016 and further revised the TOR on 1 January 2019 as follows.

2. Membership

- 2.1 Members of the Committee (the “**Members**”) shall be appointed by the Board from amongst the non-executive Directors only and shall consist of not less than three Members, a majority of whom shall be independent non-executive Directors (the “**INEDs**”) and at least one of whom is an INED 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**”) (as amended from time to time) (the “**Listing Rules**”).
- 2.2 The term of each Member shall be the same as his/her term as a Director. Subject to the constitutions of the Company and the applicable laws, rules, codes and regulations, any Member(s) may be re-appointed by the Board and continue to act as a Member upon the expiry of his/her term of appointment relating thereto.
- 2.3 A Member who ceases to be a member of the Board shall immediately and automatically cease to be a Member.
- 2.4 A former directors, partner or principal of the Company’s existing external auditing firm shall 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.

2.5 The chairman of the Committee (the “**Committee Chairman**”) shall be appointed by the Board from time to time and shall be an INED. In the absence of the Committee Chairman and/or an appointed deputy, the remaining Members present shall elect one of themselves who is an INED to chair the meetings of the Committee.

3. Committee Secretary

The company secretary of the Company (the “**Company Secretary**”) shall act as the secretary of the Committee (the “**Committee Secretary**”). The Committee may, from time to time, appoint any other person with the appropriate qualification and experience as the Committee Secretary. The Committee Secretary or in his/her absence, his/her representative or any one Member, shall be the secretary of the meetings of the Committee.

4. Frequency of Meetings

4.1 Meetings of the Committee shall be held not less than twice a year at appropriate times in the reporting and audit cycle and otherwise as required.

4.2 The Committee Chairman or the Committee Secretary shall convene a meeting upon request by any Member. The external auditors of the Company (the “**External Auditors**”) may request a meeting if they consider necessary.

5. Conduct of Meetings

5.1 Unless specified by these TOR, meetings and proceedings of the Committee shall be governed by the Company’s articles of association regulating the meetings and proceedings of the Directors.

5.2 Unless otherwise waived by all Members, notice of each meeting confirming the venue, given time and date together with an agenda of items to be discussed, shall be given to each Member no later than three working days before the date of the meeting. Notwithstanding the notification period, the attendance of the Members at the meeting would be deemed as the waiver by such Members of the required notification requirement. If any follow-up meeting takes place within seven days after the meeting, then no notification is required for such follow-up meeting. Supporting papers shall be sent to the Members and other attendees as appropriate, not later than three days before the date of the meeting. For the purpose of this paragraph, a “working day” shall mean any day other than a Saturday, Sunday or public holiday in Hong Kong.

5.3 The quorum of the Committee shall be any two Members, of whom at least one shall be an INED and shall act as chairman. Meetings could be held in person, by telephone or by video conference. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

- 5.4 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present in person, by telephone or by video conference. Subject to compliance with the Listing Rules and the applicable laws, rules, codes and regulations, 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 Committee duly convened and held. Such resolution may be signed and circulated by facsimile or other forms of electronic communications, and may consist of several documents in like form each signed by one or more of the Members.
- 5.5 The Company's chief financial officer, financial controller and the head of internal audit of the Company or their respective delegates and a representative of the External Auditors shall normally attend meetings of the Committee. The Committee may invite any member of the senior management of the Company (the "**Senior Management**"), any Director, external advisers or any other persons to attend all or part of any meetings as the Committee considers appropriate, notwithstanding that the aforementioned persons shall not have a right to vote at such meetings. However, at least once a year, the Committee shall meet with the External Auditors and the internal auditors of the Company without the executive Directors present except by invitation of the Committee Chairman.
- 5.6 Only the Members can vote in a meeting of the Committee.

6. Annual General Meetings

The Committee Chairman, or in his/her absence, another Member, or failing which his/her duly appointed alternate shall attend the annual general meetings of the Company and be available to answer questions from the shareholders of the Company thereat on the Committee's activities and responsibilities.

7. Authority

- 7.1 The Committee is authorised by the Board to investigate any activity within its TOR. 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.
- 7.2 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 at meetings of the Committee if it considers necessary. The outside legal or other independent professional advice can be sought via the Company Secretary.
- 7.3 Management of the Company (the "**Management**") is obliged to supply the Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a Member requires more information than information provided voluntarily by the Management, the relevant Member should make additional necessary enquiries. Each Member shall have separate and independent access to the Management.
- 7.4 The Committee shall be provided with sufficient resources to perform its duties.

7.5 The role and function of the Committee shall be explained in the Corporate Governance Report of the annual report of the Company.

8. Duties

8.1 The duties of the Committee shall include, without limitation, the following:

Relationship with the Company's auditors

- 8.1.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the External Auditor, and to approve the remuneration and terms of engagement of the External Auditor, and any issues related to its resignation or dismissal;
- 8.1.2 to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the External Auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 8.1.3 to develop and implement a 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 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

- 8.1.4 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 before submission to the Board, the Committee should focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

8.1.5 Regarding paragraph 8.1.4 above:

- (a) Members should liaise with the Board, the Senior Management and the Committee must meet, at least twice a year, with the External Auditors; 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 auditors;

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

- 8.1.6 to review the Company's financial controls, and unless expressly addressed by a separate Board's risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- 8.1.7 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's qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 8.1.8 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;
- 8.1.9 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;
- 8.1.10 to review the financial and accounting policies and practices of the Company and its subsidiaries (the "**Group**");
- 8.1.11 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;
- 8.1.12 to ensure that the Board will provide a timely response to the issues raised in the External Auditor's management letter;
- 8.1.13 to report to the Board on the matters in this paragraph headed "Duties" and in the code provisions under Appendix 14 to the Listing Rules;
- 8.1.14 to consider other topics as defined by the Board;

8.1.15 to make recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed;

Relationships with the employees of the Company

8.1.16 to review arrangements that employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

8.1.17 to act as the key representative body for overseeing the Company's relations with the External Auditor; and

8.1.18 to establish a whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Group.

8.2 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

9. Reporting Procedures

9.1 Full minutes of the Committee's meetings should be recorded and kept by the Committee Secretary and shall be available for inspection at any reasonable time on prior reasonable notice by any Director.

9.2 Draft and final versions of minutes of meetings should be sent to all Members for their comments and records within a reasonable time after such meetings.

9.3 The Committee shall report to the Board after each of its meetings and keep the Board fully informed of its decisions and recommendations, unless prohibited by applicable laws, codes, rules and regulations.

10. Terms Available

The Committee shall make available these TOR on request and by publishing them on the respective websites of the Stock Exchange and the Company.