

# **Cosmo Lady (China) Holdings Company Limited**

## **都市麗人（中國）控股有限公司**

### **TERMS OF REFERENCE FOR THE AUDIT COMMITTEE**

#### **Constitution**

1. The audit committee (the “Committee”) is established pursuant to a resolution passed by the board of directors (the “Board”) of Cosmo Lady (China) Holdings Company Limited (the “Company”) on 9 June 2014.

#### **Membership**

2. The Committee shall be appointed by the Board from the non-executive directors of the Company only and shall consist of not less than three members. The majority of whom, including the chairman, shall be independent non-executive directors (“INEDs”) and at least one 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 “Listing Rules”).
3. A former partner of the existing auditing firm of the Company shall not act as a member of the Committee for a period of two years from the date of the person ceasing (a) to be a partner of such firm; or (b) to have any financial interest in the firm, whichever is later.

#### **Secretary**

4. The company secretary of the Company shall be the secretary of the Committee. In the absence of the secretary, the remaining members present shall elect one of themselves or appoint another person as the secretary for that meeting.

#### **Meetings**

5. The Committee shall meet not less than twice a year. The Committee or the auditor of the Company may request a meeting if it considers necessary.
6. A meeting of the Committee may be convened by any of its members through the company secretary.
7. The quorum of a meeting shall be two members of the Committee.
8. Only members of the Committee have the right to attend Committee meetings. Other persons including but not limited to any director, management, external advisor or consultant may be invited by the Committee to attend for all or part of any meeting as and when appropriate.

9. Meetings of the Committee may be held either in person or through electronic means of communication or in such other manner as the members may agree.
10. Members must abstain from voting in respect of any resolution which he is an interested party.
11. Full minutes of the Committee should be kept by the secretary of the Committee.

### **Authority**

12. The authorities of the Committee shall include such authorities set out in the relevant code provisions of the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Listing Rules (as amended from time to time).
13. The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information from any employee if required and all employees are directed to cooperate with any request made by the Committee.
14. The Committee is authorized by the Board to obtain outside legal or any other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

### **Duties and functions**

15. The duties and functions of the Committee shall include such duties and functions set out in the relevant code provisions of the CG Code. Without prejudice to the foregoing, the Committee shall be:–

#### Relationship with the Company’s auditor

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and 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, and 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (d) 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, annual report and half-year report and review significant financial reporting judgments 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 Listing Rules and legal requirements in relation to financial reporting;
- (f) regarding (e) above:–
  - (i) members of the Committee should liaise with the Board and 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, and 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 and internal control system

- (g) to review the systems of the Company on financial controls and internal control system;
- (h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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 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 financial and accounting policies and practices of the Company and its subsidiaries;
- (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 the arrangements for employees of the Company to confidentially raise concerns about possible improprieties in financial reporting, 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;
- (o) to report to the Board on the matters set out herein; and
- (p) to consider other topics, as defined by the Board.

### **Reporting procedures**

16. The Committee shall report directly to the Board on its findings, decisions and/or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as restriction on disclosure due to regulatory requirements). At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings, decisions and/or recommendations of the Committee to the Board. The company secretary shall also circulate the minutes of meetings, reports and/or written resolutions (if any) of the Committee to all members of the Board.

Revised on the 21 December 2018