

CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED
AUDIT COMMITTEE

TERMS OF REFERENCE

1. The Board of Directors (the “Board”) of Chu Kong Shipping Enterprises (Group) Company Limited (the “Company”) has established an Audit Committee (the “Committee”). The terms of reference of the Committee took effect on the 15th day of September 2009 and revised on 31st day of July 2012, 1st day of January 2016 and 1st day of January 2019. The Board has the authority to review and amend these terms of reference from time to time.

Membership

2. The Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company and shall consist of not less than three members.
3. A former partner of the existing auditing firm of the Company is prohibited from acting as a member for a period of two (2) year commencing on the later of (a) the date of the person ceasing to be a partner of the firm; and (b) the date of the person ceasing to have any financial interest in the firm.
4. The chairman of the Committee shall be appointed by the Board (the “Committee Chairman”).

Meetings and Quorum

5. The Committee shall meet with such frequency and at such times as it may determine. It is expected that the Committee shall meet at least twice each year. The Committee shall report to the Board after each meeting.
6. The Committee may invite any executive director, financial controller, executive, external auditor or person to attend the meeting of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective.
7. Members of the Committee must liaise with the Board and senior management. The Committee shall meet with the external auditor at least once a year, without the executive directors or any employee of the Company present, if necessary.
8. A meeting shall be called for by not less than 14 days’ notice in writing unless a shorter notice is so agreed by all members of the Committee. The quorum for the meetings shall be 2 members, one of whom should be the Committee Chairman.
9. The Company Secretary shall be the secretary of the Committee (the “Secretary”)

Authority

10. The 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 of the Company and all employees are directed to co-operate with any request made by the Committee.
11. The Committee is authorized 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 necessary.

Objective

12. The Committee shall be accountable to the Board and shall assist the Board in meeting its responsibilities in ensuring an effective risk management and internal control systems, to fulfill the corporate governance functions and compliance and for meeting its external financial reporting obligations, including its obligations under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and under applicable laws and regulations.

Duties

13. The duties of the Committee shall be :

Relationship with the Company’s auditor

- (a) to make recommendation to the Board on the appointment, reappointment and removal of the external auditor, to approve the audit fee and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to act as the key representative for overseeing the relations of the Company with the external auditors;
- (c) 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 before the audit commences the nature and scope of the audit and reporting requirements and ensure co-ordination where more than one audit firm is involved;
- (d) to develop and implement policy on the engagement of external auditor to provide non-audit services;

Review of financial information of the Company

- (e) to monitor integrity of the Company's financial statements and annual report and half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein before submission to the Board, focusing 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 (including those who are responsible for the accounting and financial reporting function of the Company) 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 reports 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 functions, compliance officer or auditor.

Oversight of Company's financial reporting system and internal control procedures

- (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 the management to ensure that management has performed its duty to have an effective risk management and internal control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- (i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's responses;

- (j) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss;
- (k) to consider any significant or unusual items that are, or may need to be, reflected in the Company's reports and accounts and must 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;
- (l) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the 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 ensure co-ordination between the internal and external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and monitor the effectiveness of the internal audit function;
- (o) to review the Group's financial and accounting policies and practices;
- (p) to report to the Board on the matters set out in the code provision C.3 in Appendix 14 (Corporate Governance Code and Corporate Governance Report) of the Listing Rules;
- (q) to consider other topics, as defined by the Board; and

Corporate Governance Functions

- (r) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (s) to review and monitor the training and continuous professional development of Directors and senior management;
- (t) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (u) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (v) to review the Company's compliance with the code and disclosure in the corporate governance report; and

Review arrangements by which employees raise concerns in financial reporting, internal control or other matters

- (w) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

Reporting procedures

14. Full minutes of the meetings of the Committee should be kept by the Secretary. Draft and final versions of minutes of the Committee should be sent to all members of the Committee for their comments and records respectively within reasonable time after the meeting.
15. The Secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

Dated this 1st day of January 2019.