



TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 333)

AUDIT COMMITTEE TERMS OF REFERENCE

1. Membership

- 1.1 The Audit Committee (the “**Committee**”) shall comprise non-executive directors only and shall consist of not less than three members.
- 1.2 A majority of Committee members should be independent non-executive directors, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The chairman of the Committee (the “**Chairman**”) shall be an independent non-executive director and appointed directly by the board of directors (the “**Board**”).
- 1.4 A former partner of the Company’s existing auditing firm should 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) to have any financial interest in the firm, whichever is the later.

2. Attendance at meetings

- 2.1 Where appropriate or required, the chief financial officer, the head of internal audit department, the representative(s) of the external auditors and the person(s) invited by the Committee may attend the meetings. Other Board members shall also have the right of attendance. At least once a year the Committee shall meet with external auditors without the presence of the executive directors.
- 2.2 Any member of the Committee or the Company Secretary of the Company shall be the secretary of the Committee.
- 2.3 Audit Committee meetings should follow an agenda to impose form and discipline and to help the Chairman of the Committee to control the meetings.

* For identification purpose only

3. Frequency and proceedings of meetings

- 3.1 Meetings shall be held not less than twice a year. Additional meetings shall be held as the work of the Committee demands. In addition, the external auditors may request additional meetings if necessary.
- 3.2 Members of the Committee may attend meetings of the Committee either in person or through other electronic means of communication or in such other manner as the members may agree.
- 3.3 A quorum shall be two members of the Committee.
- 3.4 A resolution in writing signed by all members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

4. Authority

- 4.1 The Committee is authorized by the Board to investigate any activity within the terms of reference set out herein. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request by the Committee.
- 4.2 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 if it considers this necessary.

5. Duties

The duties of the Committee shall be:

5.1 Relationship with the auditors

- 5.1.1 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 questions of its resignation or dismissal;
- 5.1.2 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 auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.1.3 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; and

5.1.4 to act as the key representative body for overseeing the issuer's relations with the external auditor;

5.2 Review of financial information

5.2.1 to monitor integrity of financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:-

- (1) any changes in accounting policies and practices;
- (2) major judgmental areas;
- (3) significant adjustments resulting from audit;
- (4) the going concern assumptions and any qualifications;
- (5) compliance with accounting standards; and
- (6) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and legal requirements in relation to financial reporting;

5.2.2 Regarding 5.2.1 above:-

- (1) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the auditors; and
- (2) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports 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;

5.3 Oversight of the financial reporting system, risk management and internal control systems

5.3.1 to review the financial controls, risk management and internal control systems;

5.3.2 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;

5.3.3 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;

- 5.3.4 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 group, and to review and monitor its effectiveness;
- 5.3.5 to review the group's financial and accounting policies and practices;
- 5.3.6 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;
- 5.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.3.8 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
- 5.3.9 to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company;
- 5.3.10 to report to the Board on the matters set out above; and
- 5.3.11 to consider such other matters as the Board may from time to time determine.

6. Reporting Procedures

- 6.1 Full minutes of the meetings of the Committee and written resolutions of the Committee should be kept by the secretary of the Committee.
- 6.2 The secretary of the Committee meeting shall circulate the minutes of meetings of the Committee to all members of the Committee and the Board within a reasonable time after the conclusion of the meeting for their comment and records. The Chairman of Committee shall formally approve minutes of the Committee meetings.
- 6.3 The Chairman, or in his absence, another member of the Committee, shall attend the Company's annual general meeting to answer shareholders' questions on the Committee's work and its responsibilities.

(amended on 28 September 2023)