

HIGH FASHION INTERNATIONAL LIMITED

Terms of Reference of Audit Committee

(Adopted by the Board in September 2004
and last reviewed in March 2012, March 2016 and August 2023)

A. Membership

- A.1 Members of the Audit Committee shall be appointed by the Board. The Audit Committee shall comprise non-executive directors only and shall consist of a minimum of three members, at least one of who is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. The majority of the Audit Committee member must be independent non-executive directors.
- A.2 The Chairman of the Audit Committee shall be appointed by the Board. The Audit Committee must be chaired by an independent non-executive director. In the absence of the Committee Chairman, the remaining members present shall elect one of the members to chair the meeting.
- A.3 A director, partner, principal or employee of the Company's external auditing firm is prohibited from acting as a member of the Audit Committee for a period of two years from the later of (a) the date of their cessation of such role; or (b) the date of their cessation to have any financial interest in the auditing firm.

B. Audit Committee meetings

- B.1 The meetings and proceedings of the Audit Committee shall be governed by the provisions contained in the Bye-Laws for regulating the meetings and proceedings of directors.
- B.2 The quorum for meeting of the Audit Committee shall be two members.
- B.3 The Company Secretary or his/her nominee shall be the secretary of the Audit Committee.
- B.4 Unless otherwise agreed, notice of each meeting confirming the venue, time and date with meeting agenda, shall be forwarded to each member of the Committee and any other person required to attend at least 14 days before the date of the meeting.
- B.5 The Chairman or any member of the Audit Committee, or the external auditor or the Group Finance Director may request a meeting if they consider it necessary.
- B.6 Full minutes of Audit Committee meetings should be kept by the secretary of the Audit Committee and such minutes should be open for inspection at any reasonable time on reasonable notice by any member or director. Draft and final versions of minutes of the Audit Committee meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.

- B.7 If a member has a conflict of interest in a matter to be considered by the Audit Committee which the Audit Committee has determined to be material, the matter should be dealt with by way of Audit Committee meeting and the interested member shall not vote nor shall he be counted in the quorum present at the relevant meeting of the Audit Committee.
- B.8 A resolution in writing signed by all members in the manner pursuant to the Bye-laws for the time being shall be as effective for all purposes as a resolution of the members passed at a meeting duly convened, held and constituted.

Attendance at meetings

- B.9 The Group Finance Director, the Head of Internal Audit (“IA”), a representative of the external auditor and other persons as the Chairman of the Audit Committee deems appropriate shall normally attend Audit Committee meetings. However, at least twice a year the Audit Committee shall meet with the external auditor and/or internal auditors (if any) without the management present (save for the secretary of the Audit Committee and other persons as deemed appropriate by the Chairman of the Audit Committee).

Frequency of meetings

- B.10 The Audit Committee meetings shall be held not less than twice a year. It is expected that such regular Audit Committee meetings will normally involve the active participation, either in person or through other electronic means of communication, of a majority of members entitled to be present.

C. Authority

- C.1 The Audit 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 and all employees are directed to co-operate with any request made by the Audit Committee.
- C.2 The Audit 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 this necessary.
- C.3 The Audit Committee shall report to the Board any suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- C.4 There should be a procedure agreed by the Audit Committee to enable members, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company’s expense. The Audit Committee should resolve to provide separate independent professional advice to members to assist the relevant member or members to discharge his/their duties to the Company.

- C.5 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation, or dismissal of the external auditor, the Board will arrange for the Corporate Governance Report in the Company's Annual Report to include an explanation of the Audit Committee's view and reasons why the Board has taken a different view.
- C.6 The Audit Committee is to be provided with sufficient resources to perform its duties.

D. Duties and Responsibilities

- D.1 The duties and responsibilities of the Audit Committee shall be:-

Relationship with the Company's external auditor

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, to oversee the selection process for new auditors and to approve the remuneration and terms of engagement of the external auditor, and to investigate any issues of its resignation or dismissal;
- (b) to assess, review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and the relationship with the auditors including the provision of non-audit services;
- (c) to consider the nature and scope of each year's audit, including the engagement letter and audit plan submitted by the external auditor, and to discuss the nature and scope of the audit and reporting obligations with the auditor before the audit commences;
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services as set out in Appendix. 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (e) to conduct annual review of non-audit services performed by an external auditor to ensure such provision of non-audit services does not impair the independence or objectivity of the external auditor;
- (f) to consider / approve the policies on employment of employees or former employees of the external auditor and review the application of the policies for maintaining the independence of the audit;

- (g) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response to the external auditor's findings and recommendations;
- (h) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (i) to discuss any problems and reservations arising from the interim and final audits, and any matters, the external auditor may wish to discuss (in the absence of management (where necessary)) and to assist in the resolution of any disagreements or difference between the external auditor and management;
- (j) to act as the key representative body for overseeing the Company's relation with external auditor;

Review of the Company's financial information

- (k) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if applicable), and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit 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;
- (l) Regarding (k) above:-
 - (i) Members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's internal and external auditors; and
 - (ii) The Audit 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 person responsible for the accounting and financial reporting function, Head of IA, Company Secretary or external auditor;

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

- (m) to review and monitor the effectiveness of the Company's financial controls, risk management and internal control systems, internal audit function and annual audit plan;
- (n) 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;
- (o) 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;
- (p) to ensure co-ordination between the IA and external auditor, 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;
- (q) to review the group's financial and accounting policies and practices;

Employees' Concerns

- (r) to monitor and review the effectiveness of the whistleblowing policy and other arrangements by which employees of the Company and other stakeholders including suppliers, service providers or business partners can use in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matter. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (s) to consider, review and act upon the findings of any relevant internal investigations or reports on any material violations of regulations and internal policies, control weakness, fraud and misconduct (in the absence of the management if necessary);

Other Matters

- (t) the Chairman of the Audit Committee or in his absence, another member or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting;
- (u) to report to the Board on the matters in the code provision adopted by the Company; and
- (v) to engage in other activities consistent within the provisions contained herein and consider other topics, as defined by the Board.

E. Reporting procedures

- E.1 The secretary of the Audit Committee shall circulate the minutes of meetings and reports of the Audit Committee and relevant information to all members of the Board.
- E.2 The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

Policy on Non-Audit Services Provided by External Auditor

1. Purpose

This Policy aims to set out the parameters and approval process for the engagement of non-audit services of the external auditor.

2. Definitions

The term “external auditor” refers to the firm of accountants and its affiliates that are appointed to perform the audit of the consolidated financial statements of the Group.

The term “non-audit services” refers to any services provided by the external auditor which are not included in, or are not necessarily incidental to, the terms of the audit engagement.

The term “prohibited non-audit services” refers to any services that, if provided by the external auditor, would impair the independence of the external auditor and its audit carried out.

3. Non-Audit Services

3.1 The Audit Committee grants general pre-approval to the following non-audit services and defined tax work except for those in connection with the audit:-

Non-audit services	<ul style="list-style-type: none"> - Closing balance sheet audits pertaining to dispositions - Consultations and advisory services concerning financial accounting and reporting standards for statutory and regulatory compliance - Due diligence services relating to acquisitions and mergers - Employee benefit plan audits - General assistance with implementation of the Listing Rules, Securities and Futures Ordinance rules and other applicable regulations and standards - General business and risk management advisory services
Tax Work	<ul style="list-style-type: none"> - Assistance with tax audits and appeals to the competent tax authorities - General Group corporate tax planning and compliance advisory services - Tax assistance on statutory and regulatory developments

3.2 As a general rule, unless the Audit Committee decides otherwise, the external auditor may not provide the following prohibited non-audit services including:

- (a) Bookkeeping or other services related to the accounting records or financial statements;
- (b) Financial information systems design and implementations;
- (c) Appraisal or valuation services and fairness opinions;
- (d) Actuarial services;
- (e) Internal audit outsourcing services;
- (f) Management functions or human resources;
- (g) Broker-dealer, investment adviser or investment banking services;
- (h) Legal services and expert services unrelated to the audit; and
- (i) Any other services which are prohibited under regulations or lead to impairment of the independence of the external auditor as determined by the Audit Committee from time to time.

4. Approval of Non-Audit Services

In addition to the general pre-approval of Audit Committee granted on non-audit services, the engagements of such non-audit services provided by the external auditor should be approved in writing by the Group Finance Director.

Unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee if it is to be provided by the external auditor.

5. Factors to be Considered

When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the Audit Committee may consider:

- (a) whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
- (b) whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
- (c) the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm; and
- (d) the criteria which govern the compensation of the individuals performing the audit.

6. Monitoring and Reporting

- 6.1 The Group Finance Director is responsible for reviewing the contracts of engagement with the external auditors, excluding the contracts directly engaged by the Audit Committee. The Group Finance Director will monitor the implementation of this Policy and promptly report any non-compliance to the Audit Committee.
- 6.2 The Group Finance Director on a regular basis, will report to the Audit Committee on the current non-audit services provided by the external auditors or those completed since the prior report and the associated fees.

7. Review of this Policy

The Audit Committee will review this Policy regularly to ensure the effectiveness of this Policy. The Audit Committee will provide interpretations on its application and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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