

CSI PROPERTIES LIMITED
資本策略地產有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 497)
(the “Company”)

TERMS OF REFERENCE
OF
THE AUDIT COMMITTEE
(the “Committee”)

*(adopted by the Company on 13 March 2012 and
revised on 7 April 2016 and further revised with effect from 1 January 2019)*

1. Function

The Committee is to consider the application of financial reporting, risk management and internal control principles and to maintain an appropriate relationship with the external auditors of the Company.

2. Membership

Members of the Committee shall be appointed by the board of directors (the “Board”) of the Company and shall comprise a minimum of three non-executive directors of the Company, a majority of which should be independent non-executive directors. A quorum shall be two members.

A former partner of the Company’s existing auditing firm shall be prohibited from acting 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 the firm; or (b) to have any financial interest in the firm, whichever is later.

The Chairman of the Committee shall be an independent non-executive director appointed by the Board.

3. Attendance at meetings

The Head of the Finance Department and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, the Committee shall meet with the external auditors at least twice a year.

4. Frequency of meetings

Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider necessary.

5. Authority

The Committee is authorized by the Board to investigate into 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 Committee.

The Committee is authorized by the Board to obtain, at the expense of the Company, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

6. **Duties**

The duties of the Committee shall include:-

Relationship with the Company's external auditors

- a. making recommendations to the Board on the appointment, reappointment and removal of external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal, if they arise;
- b. reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- c. developing and implementing 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

- d. monitoring integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing 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 the 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.
- e. regarding d. 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, 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

- f. reviewing the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- g. discussing the risk management and internal control system 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, and training programmes and budget of the Company's accounting and financial reporting function;
- h. considering 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;
- i. where an internal audit function exists, ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- j. reviewing the financial and accounting policies and practices of the Company and its subsidiaries;
- k. reviewing 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;
- l. ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- m. reviewing arrangements employees of the Company can use, in confidence, to 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;
- n. acting as the key representative body for overseeing the Company's relations with the external auditor;
 - o. reporting to the Board on the matters set out herein; and
 - p. considering other topics, as defined by the Board.

** For identification purposes only*