

DAH SING FINANCIAL HOLDINGS LIMITED

Charter of Audit Committee

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Constitution

1. The Board resolved to establish a Committee of the Board known as the Audit Committee ("The Committee") on 12 August 1996.

Objective and Role

2. The Committee is responsible for reviewing the internal control systems and the working of the internal and external auditors, ensuring the objectivity and credibility of financial reporting, and that in presenting results to the Shareholders, the Directors have exercised the care, diligence and skills prescribed by law.

The scope of the objective and role of the Committee covers the Company and all of its subsidiaries which include its insurance subsidiaries such as Dah Sing Insurance Company (1976) Limited and Macau Insurance Company Limited; and Dah Sing Banking Group Limited and its banking subsidiaries.

Membership

3. The Committee shall be appointed by the Board ideally from amongst the Non-Executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent Non-Executive Directors. A quorum shall be two members.
4. A former partner of the Company's existing external auditors is prohibited from acting as a member of the Committee for a period of 2 years commencing on the date of his ceasing (a) to be a partner of the audit firm; or (b) to have any financial interest in the audit firm.
5. The Chairman of the Committee shall be appointed by the Board and should be an independent Non-Executive Director.

Attendance at Meetings

6. The Executive Directors of the Company, the Group Head of Internal Audit, and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance.
7. The Group Financial Controller shall be the Secretary of the Committee and in the absence of the Group Financial Controller, a member of the Committee or a manager of the Group (with the prior approval of the Chairman of the Committee) shall act as the secretary.

Frequency of Meeting

8. Meetings shall be held at least three times a year. The external auditors or any members of the Audit Committee may request a meeting with or without the presence of executive Board members if they consider that one is necessary.

Authority

9. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee.
10. The Committee is authorised by the Board subject to prior discussion concerning likely costs, 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.

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Duties

11. The duties of the Committee shall be:-

Relationship with the external auditor

- (a) to make recommendation 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 resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard and to 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 the engagement of an external auditor to supply non-audit services and report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Supervision of the internal auditor

- (d) with the authority delegated to the Audit Committee by the Board, to approve the appointment, resignation or dismissal of the Group Head of Internal Audit;
- (e) to receive internal audit reports and ensure that senior management (with the appropriate involvement of the control functions) takes necessary corrective action in a timely manner to address control weakness, non-compliance with policies, laws and regulations or other problems identified by the auditors;
- (f) to bring major findings to the attention of the Board for the examination reports of regulatory bodies reviewed by them;
- (g) to review the internal audit plan and programme, ensure co-ordination between the internal and external auditors is adequate in that a mechanism is in place for the external auditors and the internal audit function to keep each other informed of any significant matters of concern identified that may affect the work of the other, to ensure that the internal audit function is adequately resourced which is commensurate with the size, nature, scope and complexity of the Group's operations and has appropriate standing within the Company, and to review the performance of the Group Head of Internal Audit and monitor the effectiveness of the internal audit function;
- (h) to review and approve the annual remuneration of the internal audit function as a whole, and the budgeted resources of the function;
- (i) to ensure that the internal audit function is subject to independent review such that the evaluation of the effectiveness of the function, which can be carried out by independent parties such as external auditors or other qualified independent reviewers, is conducted on a regular basis which covers all major aspects of the work of the function;
- (j) to ensure that the Hong Kong Monetary Authority is informed in a timely manner whenever the Group Head of Internal Audit is appointed or ceases to act in this capacity with relevant information (e.g. qualification of the new appointee and the circumstances appertaining to the change in personnel).

Review of financial information and the system of control for producing financial statements

- (k) to monitor integrity of financial statements, annual report and accounts and half-year report and to review these reports before submission to the Board, focusing particularly on:-

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11. The duties of the Committee shall be (continued):-

Review of financial information and the system of control for producing financial statements (Continued):-

- (i) any changes in accounting policies and practices;
- (ii) major judgemental areas and accounting estimates;
- (iii) significant adjustments resulting from the audit and concerns (if any) about possible improprieties relating to financial reporting;
- (iv) the going concern assumption and any qualifications;
- (v) compliance with accounting standards;
- (vi) compliance with stock exchange and regulatory requirements; and
- (vii) the system and control process in producing financial information and disclosures to deliver financial statements and disclosures meeting applicable standards and regulatory requirements, and the requirement of the Board;

(l) In regard to (k) above:-

- (i) members of the Committee would liaise with the Board of directors or senior management and meet with the auditors at least once a year; and
- (ii) the Committee would consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and would give due consideration to any matters that have been raised by the Group Financial Controller or auditors;

Oversight of the financial reporting system and internal control procedures

- (m) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (n) to review the examination reports of regulatory bodies and to review management's follow-up actions including the implementation of recommendations made by regulators after a proper review of the reports by the Risk Management and Compliance Committee;
- (o) to review the Company's financial controls, internal control and risk management systems and compliance;
- (p) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (q) to consider any findings or major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (r) to review the Group's financial and accounting policies and practices;
- (s) to review and report to the Board, on matters relating to the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and if appropriate, to determine the appointment of the Group Financial Controller;
- (t) to review the external auditor's management letter and management's response and to ensure that the management will provide a timely response to the issues raised in the external auditor's management letter;
- (u) to report to the Board on matters relating to the duties of the Committee set out above, in particular the progress made by management in implementing any remedial actions to address deficiencies identified in the Company's internal control systems by internal and external auditors, regulators or the Committee itself; and
- (v) to consider other topics, as defined by the Board.

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Reporting Procedures

12. Full minutes of audit committee meetings should be kept by the Secretary of the meeting. Draft and final versions of minutes should be sent to all members of the Committee for their comment and records within a reasonable time after the meeting.
13. Draft minutes and signed minutes of the meetings of the Committee not previously circulated to members of the Board should be included in the latest set of Board papers to Directors to facilitate their review prior to the regular Board meeting.

Reaffirmed by the Audit Committee on 3 December 2018. Approved by the Board on 24 May 2019.