



CRAZY SPORTS GROUP LIMITED

瘋狂體育集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)

Audit Committee of Crazy Sports Group Limited (the “Company”) (the “Committee”)

TERMS OF REFERENCE

The Committee was set up in 1999. All the Committee members are independent non-executive directors of the Company.

1 MEMBERSHIP

- 1.1 The Committee members shall be appointed by the board of directors of the Company (the “Board”) from amongst the non-executive directors of the Company of which a majority so appointed shall be independent non-executive directors whose terms shall run concurrently with their terms as the directors of the Company (the “Directors”).
- 1.2 The chairman of the Committee shall be appointed by the Board and must be an independent non-executive Director.
- 1.3 The Committee shall consist of not less than three members and at least one of them has to be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- 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 (2) years from the date of the person ceasing:
 - (i) to be a partner of the firm; or
 - (ii) to have any financial interest in the firm,whichever is later.

2 AUTHORITY

- 2.1 The Committee shall report directly to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 2.2 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to inspect all accounts, books and records of the Company and it shall have unrestricted access to the members of management, employees, the external and internal auditors and the right to require the management of the Company to furnish all information requested by it as may be required for the purposes of discharging its duties. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 2.3 The external and internal auditors shall have the right to consult the Committee without reference to the management of the Company. The Committee shall also have the right to consult the external and internal auditors without reference to the management, or consult the management without reference to the external and internal auditors.
- 2.4 The Committee is authorised 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 at the Company's expenses. The Committee shall have sole authority to approve related fees and retention terms.
- 2.5 The Committee shall be provided with sufficient resources by the Company to perform its duties.

3 DUTIES

The Committee shall perform the following duties:

Relationship with the Company's external auditor

- 3.1 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;
- 3.2 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;

- 3.3 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;
- 3.4 to act as the key representative body for overseeing the Company’s relations with the external auditor;

Review of the Company’s financial information

- 3.5 to review and monitor the integrity (including the completeness, accuracy and fairness) of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, to discuss such annual report and accounts, half-year report and quarterly reports with management and the external auditor, and to review significant financial reporting judgments contained in them. In reviewing these reports and accounts of the Company before submission to the Board, the Committee should focus particularly on:
- (i) financial reporting and accounting policies and practices;
 - (ii) any changes in accounting policies and practices;
 - (iii) major judgmental areas;
 - (iv) significant adjustments resulting from audit;
 - (v) the going concern assumptions and any qualifications;
 - (vi) compliance with accounting standards; and
 - (vii) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 3.6 regarding clause 3.5 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 controls, internal control and risk management systems

- 3.7 to review the Company's financial controls, internal control and risk management systems;
- 3.8 to discuss the internal control and risk management 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;
- 3.9 to consider major investigation findings on internal control and risk management matters as delegated by the Board or on its own initiative and management's response to these findings;
- 3.10 where an internal audit function exists, to ensure co-ordination between the internal and external auditors, 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;
- 3.11 to review the group's financial and accounting policies and practices;
- 3.12 to review the statement of the Company on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- 3.13 to discuss any problems and reservations which the external auditor may have arising from the interim and final audits, and any interim audits or otherwise, and any response of management in connection therewith;
- 3.14 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;
- 3.15 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 3.16 to meet with the external auditor on an ad-hoc basis whenever the external auditor considers it necessary to review any accounting, financial reporting or internal control matter with the Committee;
- 3.17 to report to the Board on the matters in the provision of the Corporate Governance Code;

Internal audit

- 3.18 to review and monitor annually the effectiveness of the Group's internal audit function, ensure co-ordination between the internal and external auditors and ensure that the internal audit function has appropriate standing within the Group;
- 3.19 to review and approve the annual internal audit plan and discuss with the internal auditor any significant findings and recommendations arising from the internal audit activities;

3.20 to review and monitor management's responsiveness to the findings and recommendations of the internal auditors;

3.21 to discuss with the Group's head of internal audit (i) at least once every year, to discuss their remit and any issues arising from the internal audits carried out.; and (ii) regularly throughout the year as the Group's head of internal audit shall require;

Compliance with laws and regulations

3.22 to review and monitor the effectiveness of the audit process in accordance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance;

3.23 to obtain updates from management and the Company's legal counsel regarding compliance matters that may have a material impact on the Company's financial statements or compliance policies;

3.24 to be satisfied that all regulatory compliance matters related to the business of the Company have been considered in the preparation of the financial statements;

Reporting responsibilities

3.25 to periodically update the Board about the activities of the Committee and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make appropriate recommendations as to the steps to be taken;

3.26 to review any reports required by law or the Listing Rules or requested by the Board, for example a report of the activities and duties of the Committee to be included in the section on corporate governance in the annual report;

Others

3.27 to ensure the Company's practices and procedures with respect to related party transactions are adequate for compliance with the requirements under the Listing Rules and applicable laws and regulations;

3.28 to review from time to time as appropriate these terms of reference and the effectiveness of the Committee and recommend to the Board any necessary changes;

3.29 to report to the Board on the matters set out in these terms of reference and where the monitoring activities of the Committee reveal cause for concern or scope for improvement, the Committee shall make recommendations to the Board to address the issue or to make improvements;

- 3.30 to provide to the Board such assurances as it may reasonably require regarding compliance by the Company's subsidiaries and associates for which the Company provides management services with all supervisory and other regulations to which they are subject;
- 3.31 to review the Company's policies and practices with respect to the release of financial information to the market;
- 3.32 to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control, risk management 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;
- 3.33 to engage in any other activities consistent with the Committee's objectives and responsibilities and to consider other topics or matters, as defined or referred to the Committee by the Board; and
- 3.34 to take account of the Corporate Governance Code and the Listing Rules in exercising its power, authorities and discretions and performing its duties.

4 MEETINGS AND REPORTS

- 4.1 The Committee shall meet not less than twice a year with the Company's auditors.
- 4.2 The meetings and proceedings are governed by the provisions contained in the bye-laws of the Company for regulating meetings and proceedings of the Directors.
- 4.3 The Committee may invite any executive Directors and representatives of the external auditors and/or executives of the Company or other persons to attend meetings of the Committee as it may from time to time consider desirable to assist the Committee in performing the duties.
- 4.4 Information in relation to the Committee shall be included for the accounting period in the Corporate Governance Report in the annual reports of the Company as required by the Listing Rules from time to time.

The terms of reference of the Committee are available on The Stock Exchange of Hong Kong Limited's website and the Company's website.

Revised: 7 December 2021