

**WONG'S KONG KING INTERNATIONAL (HOLDINGS) LIMITED**  
**(the "Company")**  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 532)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

**1. CONSTITUTION**

- 1.1 The board of directors of the Company (the "Board") has resolved to establish a Committee of the Board to be known as the Audit Committee (the "Committee").

**2. MEMBERSHIP**

- 2.1 The Committee shall be appointed by the Board from amongst the non-executive Directors and can be removed by the Board at its sole discretion.
- 2.2 The Committee shall comprise of a minimum of three members (the "Members"). The majority of the Members shall be independent non-executive Directors ("INED") and at least one INED 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").
- 2.3 The Chairman of the Committee shall be appointed by the Board and must be an INED.
- 2.4 A former partner of the Company's existing auditing firm should be prohibited from acting as a Member of its Committee for a period of 2 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 later.

**3. SECRETARY**

- 3.1 The Company Secretary of the Company shall be the secretary of the Committee.
- 3.2 The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

**4. FREQUENCY AND PROCEEDINGS OF MEETINGS**

- 4.1 The Committee shall meet at least twice each year. Additional meetings may be held as and when the Committee shall see fit. The Company's external auditors may request a meeting if they consider that one is necessary.

- 4.2 Notice of any meetings has to be given at least 14 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.
- 4.3 The quorum of the Committee shall be any two Members.
- 4.4 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 4.5 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present.
- 4.6 A resolution in writing signed by all the 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.
- 4.7 Unless otherwise specified above, the provisions contained in the Company's Bye-Laws (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Committee.

## **5. ATTENDANCE AT MEETINGS**

- 5.1 The Chief Financial Officer, the external auditors and other Board members or any other persons may be invited by the Committee to attend all or part of any meetings.
- 5.2 At least once a year, the Committee will meet with the Company's external auditors without any executive board members of the Company being present, except by invitation of the Committee.
- 5.3 Only Members of the Committee are entitled to vote at the meetings.

## **6. ANNUAL GENERAL MEETING**

- 6.1 The Chairman of the Committee or in his/her absence, another Member (who must be an INED) of the Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.

## **7. AUTHORITY**

- 7.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it may require from any employee and all employees are directed to co-operate with any request made by the Committee.

- 7.2 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 and expertise if it considers this necessary.

*Note: Arrangement to seek independent professional advice could be made through the Company Secretary.*

- 7.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

- 7.4 The Committee shall be provided with sufficient resources to perform its duties.

## **8. DUTIES**

The duties of the Committee shall be:-

### **8.1 Relationship with the Company's External Auditors**

- 8.1.1 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;
- 8.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 8.1.3 to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 8.1.4 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;
- 8.1.5 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 8.1.6 to act as the key representative body for overseeing the Company's relations with the external auditor;

## **8.2 Review of the Company's financial information**

8.2.1 to monitor integrity of the Company's financial statements and 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:

- (a) any changes in accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

8.2.2 Regarding 8.2.1 above:-

- (a) 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 external auditors;
- (b) 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 person occupying the same position), or external auditors;

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

8.3.1 to review 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;

8.3.2 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 functions;

8.3.3 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;

- 8.3.4 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;
- 8.3.5 to review the Group's financial and accounting policies and practices;
- 8.3.6 to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- 8.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 8.3.8 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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

#### **8.4 Corporate Governance Functions delegated by the Board**

- 8.4.1 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 8.4.2 to review and monitor the training and continuous professional development of Directors and senior management;
- 8.4.3 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 8.4.4 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- 8.4.5 to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;

#### **8.5 Others**

- 8.5.1 to report to the Board on all matters set out in these terms of reference; and
- 8.5.2 to consider any other matters specifically referred to the Committee by the Board.

### **9. REPORTING PROCEDURES**

- 9.1 Full Minutes shall be kept by the secretary of the Committee. Draft and final versions of minutes shall be circulated to all Committee Members for their comment and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes shall be open for Directors' inspection.

9.2 Without prejudice to the generality of the duties of the Committee set out in these terms of reference, the Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

## **10. PUBLICATION OF THE TERMS OF REFERENCE**

10.1 The terms of reference will be posted on both the websites of the Company and The Stock Exchange of Hong Kong Limited.

*Note: "Senior Management" should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 of the Listing Rules.*

*Note: If there is any inconsistency between the English and Chinese versions of these Terms of Reference, the English version shall prevail.*