

# Kwong Man Kee Group Limited

## 鄺文記集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8023)

### Terms of Reference of the Audit Committee

#### CONSTITUTION

1. The board of directors (the “**Board**”) of Kwong Man Kee Group Limited (the “**Company**”) has resolved to establish a committee of the Board to be known as the Audit Committee (the “**Committee**”) on 24 September 2016.

#### MEMBERSHIP

2. Under the Constitution, the Committee shall consist of not less than 3 members appointed by the Board, all of whom should be non-executive directors of the Company and a majority of whom should be Independent Non-Executive Directors (the “**INEDs**”). The quorum for meeting shall not be less than two members.
3. At least one member shall be an INED with appropriate professional qualifications, accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”). 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 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.
4. The chairman of the Committee shall be appointed by the Board and should be an INED.
5. The chairman of the Committee shall chair the meetings of the Committee. In the absence of the chairman of the Committee, the remaining members present at the meeting shall elect one amongst themselves to chair the meeting of the Committee.
6. The secretary of the Committee or his/her delegate shall attend meetings of the Committee to take minutes. In the absence of the secretary of the Committee, the members present at the meeting of the Committee shall elect another person as the secretary.

## **ATTENDANCE AT MEETINGS**

7. Other than members of the Committee, the Financial Controller of the Company or his/her delegate(s), the Head of Internal Audit, and representative(s) of the external auditor shall normally attend meetings.
8. At the discretion of the Committee, other persons (including senior management, other employees, external advisors or consultants) may be invited to attend meetings or part of meetings.
9. A separate meeting (at least once a year) should be held among the Committee's members and the external auditors and internal auditors without the presence of any executive director or member of the executive management.
10. The secretary of the Committee, or in his/her absence, his/her delegate, shall act as the secretary to the Committee and must ensure that full minutes are kept of all meetings. The minutes of meetings and reports of the Committee shall be circulated to all members of the Board after approval of the Committee.

## **FREQUENCY AND PROCEDURE OF MEETINGS**

11. The Committee shall meet at least twice a year with the auditors of the Company and at such other times as the chairman of the Committee shall require.
12. Any member of the Committee, the Head of Internal Audit or the external auditor may request a meeting if he/she considers that one is necessary. The request shall be made to the secretary of the Committee.

## **NOTICE OF MEETINGS**

13. Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.
14. Unless otherwise agreed, notice of each meeting confirming the venue, date and time shall be forwarded to each member of the Committee, and to any other person required to attend:
  - (a) In relation to all regular meetings of the Committee, at least seven calendar days before the date of the meetings; and
  - (b) In relation to all other meetings of the Committee, within a reasonable time prior to the date of the meeting.

15. Supporting papers of meetings shall be sent to Committee members and to other attendees, as appropriate, within a reasonable time before the holding of the meeting.

### **ANNUAL GENERAL MEETING**

16. The chairman of the Committee shall, or in his/her absence, another member of the Committee shall, attend the annual general meeting of the Company and be prepared to respond to any Shareholders' questions on the Committee's activities.

### **AUTHORITY**

17. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any employee and all employees are directed to co-operate with any request made by the Committee.
18. The Committee is authorised by the Board to obtain independent legal and other professional advice and to secure the attendance of outsiders with relevant experience and expertise if the Committee considers it necessary. The Committee shall be provided with sufficient resources to discharge its duties. The Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Committee.
19. Where the Board has taken a different view from the Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Committee shall submit a statement to the Company explaining its recommendation, which statement will be disclosed by the Company in the Corporate Governance Report in accordance with Appendix 15 of the GEM Listing Rules.

### **DUTIES**

20. The Committee shall have the following duties:

#### 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, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to act as the key representative body for overseeing the relations of the Company with the external auditor;

- (c) 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 external auditor the nature and scope of audit and reporting obligations before the audit commences;
- (d) 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 having knowledge of 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

- (e) to monitor integrity of the Company's financial statements and the annual report, half-year reports and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:-
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from audit;
  - the going concern assumptions and any qualifications;
  - compliance with accounting standards; and
  - compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
- (f) 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 external 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 referred to above, and give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or the external auditors;

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

- (g) to review the Company's financial controls, and the risk management and internal control systems;
- (h) 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;
- (i) 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;
- (j) 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;
- (k) to review the Company's financial and accounting policies and practices;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters in this code provision; and
- (o) to consider other topics, as defined by the Board.

## **REPORTING PROCEDURES**

21. Full minutes of the Committee's meeting shall be kept by a duly appointed secretary of the meeting, and such minutes shall be open for inspection at any reasonable notice by any director.
22. Minutes of the meetings of the Committee shall record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Committee for their comments and records respectively, in both cases within a reasonable time after such meetings.
23. 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.

## **FREQUENCY OF REVIEW**

24. These Terms of Reference should be reviewed on an annual basis and when necessary, and can be revised by the Board from time to time. Any change to these Terms of Reference shall be subject to the approval of the Board.

## **AVAILABILITY OF THESE TERMS OF REFERENCE**

25. The Committee shall make available these Terms of Reference on request and by inclusion on the websites of the Company and the Stock Exchange of GEM of the Stock Exchange of Hong Kong Limited, thereby explaining its role and authority delegated to it by the Board.

– End –

*(Adopted by the Company pursuant to the Board's resolutions passed on 24 September 2016; and revised by the Company pursuant to the Board's resolutions (passed on 9 November 2018 with effect from 1 January 2019).*

*These Terms of Reference are prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.*