



## **WAI KEE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 610)**

### **AUDIT COMMITTEE**

**(the “Committee”)**

#### **Terms of Reference**

Amended and adopted at the Board Meeting on 21st March, 2023

#### **Constitution**

1. The Board of Directors (the “Board”) has resolved to establish a Committee of the Board to be known as the Audit Committee.

#### **Membership**

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members. At least one member shall be an independent non-executive director of the Company with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (as amended from time to time), and the majority of members shall be the independent non-executive directors of the Company.<sup>1</sup> The quorum for decisions of the Committee shall be two members.
3. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.<sup>2</sup>

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<sup>1</sup> Listing Rule 3.21

<sup>2</sup> Listing Rule 3.21

### **Attendance at meetings**

4. The Executive Directors of the Company, internal auditor, senior management and a representative of the external auditor shall normally attend meetings. Other Board members shall also normally have the right of attendance but can be asked by the Committee not to be present at any meeting or for any items on the agenda of any meeting. At least twice a year the Committee shall meet with the external auditor without executive Board members present.<sup>3</sup>
5. The company secretary or a duly appointed secretary of the meeting shall act as the secretary of the Committee.

### **Frequency of meetings**

6. Meetings shall be held not less than twice a year. Attendance may be in person or by telephone or other means of telecommunication. The external auditor or any members of the Committee may request a meeting if they consider necessary.

### **Authority**

The Board authorized the Committee to:

7. to investigate any activity within its terms of reference and to seek any information it requires from any employee in order to perform its duties (all employees being directed to co-operate with any such request made by the Committee);
8. to obtain, at the Company's expenses, outside legal or other professional advice on any matter within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
9. to call any employee to be questioned at a meeting of the Committee as and when required.

### **Duties**

10. The duties of the Committee shall be:<sup>4</sup>

#### *Relationship with the Company's auditors*

- (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;

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<sup>3</sup> Code Provision D.3.3(e)(i)

<sup>4</sup> Code Provision D.3.3

- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the auditor process in accordance with applicable standards. The Committee should discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to provide 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) to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and, if prepared for publication, 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:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustment resulting from the audit;
  - (iv) the going concern assumption 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 reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the Company's accounting and financial reporting function, compliance officer or auditors;

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

- (f) 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;
- (g) 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;
- (h) 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;
- (i) 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;
- (j) to review the group's financial and accounting policies and practices;
- (k) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- (l) 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;
- (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 raised in this section 10; and
- (o) to consider other topics, as defined by the Board.

*Relationship with the employees and those who deal with the Company<sup>5</sup>*

- (p) 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; and
- (q) to act as the key representative body for overseeing the Company's relations with the external auditor.

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<sup>5</sup> Code Provision D.3.7

11. The Committee should report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).<sup>6</sup>
12. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.<sup>7</sup>
13. The Committee should be provided with sufficient resources to perform its duties.<sup>8</sup>

### **Minutes of Meetings**

14. Full minutes of the meetings of the Committee shall be kept by the secretary of the Committee. Draft and final versions of minutes of the Committee meetings shall be sent to all members of the Committee for their comment and records respectively at any reasonable time after the meeting.
15. The Secretary shall circulate the final version of minutes of meetings of the Committee to all members of the Board.

### **Annual General Meeting**

16. The Committee Chairman or in his absence, another member of the Committee or failing that his duly appointed delegate shall attend the annual general meeting of the Company so as to be available to answer questions from shareholders on matters within the scope of duties of the Committee.

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<sup>6</sup> Code Provision C.4.2

<sup>7</sup> Code Provision D.3.5

<sup>8</sup> Code Provision D.3.6