



**Kingwell Group Limited**

京維集團有限公司

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

**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

# **Kingwell Group Limited**

京維集團有限公司

**(the “Company”)**

## **AUDIT COMMITTEE TERMS OF REFERENCE**

### **TABLE OF CONTENTS**

	Page
<b>1. CONSTITUTION</b>	<b>3</b>
<b>2. MEMBERSHIP</b>	<b>3</b>
<b>3. MEETINGS</b>	<b>4</b>
<b>4. ATTENDANCE AT MEETINGS</b>	<b>5</b>
<b>5. FREQUENCY OF MEETINGS</b>	<b>5</b>
<b>6. AUTHORITY</b>	<b>5</b>
<b>7. DUTIES &amp; RESPONSIBILITIES</b>	<b>6</b>
- REVIEW OF THE FINANCIAL INFORMATION OF THE COMPANY	
- OVERSIGHT OF THE COMPANY’S FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS	
- RELATIONSHIP WITH THE COMPANY’S AUDITORS	
- RELATIONSHIP WITH THE COMPANY’S EMPLOYEES	
<b>8. REPORTING PROCEDURES</b>	<b>9</b>
<b>9. PUBLICATION OF THE TERMS OF REFERENCE</b>	<b>9</b>

# **Kingwell Group Limited**

## **京維集團有限公司 (the “Company”)**

### **Audit Committee Terms of Reference**

#### ***1. CONSTITUTION***

- 1.1 The Audit Committee was formed pursuant to the board resolution of the Company passed on 8 May 2001.
- 1.2 Revised on 18 December 2015 pursuant to the Corporate Governance Code effective on 1 April 2012.
- 1.3 The revised version shall supercede any terms of reference previously adopted by the board of directors of the Company (the “Director(s)”) (the “Board”).

#### ***2. MEMBERSHIP***

- 2.1 The members of the Audit Committee (the “Member(s)”) shall be appointed by the Board and, on the recommendation of the nomination committee of the Company in consultation with the chairman of the Audit Committee (the “Chairman”) from amongst the non-executive Directors of the Company.
- 2.2 The Audit Committee shall consist of not less than three Members, a majority of whom should be the independent non-executive Directors and at least one independent non-executive Director with appropriate professional accounting or related financial management expertise or qualifications.
- 2.3 The chairman of the Company shall not be an Audit Committee Member.
- 2.4 The Chairman must be an independent non-executive Director and appointed by the Board.

- 2.5 In the event that the Audit Committee comprises of a non-executive Director who is a former partner of the Company's existing auditing firm, such non-executive Directors shall be prohibited from acting as a Member for a period of 1 year commencing on the date of his ceasing to be a partner of the auditing firm or to have any financial interest in the firm, whichever is the later.

### **3. MEETINGS**

- 3.1 The company secretary shall be the secretary of the Audit Committee.
- 3.2 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.
- 3.3 A quorum of the Audit Committee shall be any two Members.
- 3.4 Notice of any meetings has to be given at least 7 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, a Member attending the meeting shall be deemed waiver of the requisite length of notice of the meeting by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 7 days.
- 3.5 Meetings may be held in person, by telephone or 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.
- 3.6 A resolution in writing signed by all Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- 3.7 Full minutes of audit committee meetings should be kept by the secretary of the Audit Committee. Draft and final versions of minutes of the Audit Committee meetings shall be circulated to all Members for their comment and records respectively, in both cases within a reasonable time after the meeting. Such minutes of meeting shall be opened for the Board's inspection.

#### **4. ATTENDANCE AT MEETINGS**

- 4.1 At the invitation of the Audit Committee, the Finance Director (where there is one), the Head of Internal Audit (where there is one), and a representative of the external auditors may attend the meetings.
- 4.2 However, at least twice a year the Audit Committee shall meet with the external auditors and internal auditors (where there is one) without executive Directors or management present.
- 4.3 Only Members are entitled to vote at the meetings.

#### **5. FREQUENCY OF MEETINGS**

- 5.1 The Chairman, in consultation with the secretary, shall decide the frequency and timing of its meetings. There shall be as many meetings as the Audit Committee's duties and responsibilities require.
- 5.2 The Audit Committee shall meet no fewer than two meetings a year. The Company's external auditors may request that a meeting be held if they consider it necessary.

#### **6. AUTHORITY**

- 6.1 The Audit Committee is authorized by the Board to inspect all accounts, books and records of the Company.
- 6.2 The Audit Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.
- 6.3 A Member may, through the company secretary, seek independent advice in appropriate circumstances at the Company's expense to discharge his/her duties as a Member to the Company within its terms of reference.

- 6.4 The Audit Committee shall be provided with sufficient resources to discharge its duties.
- 6.5 Where there is disagreement between the Audit Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreements cannot be resolved, the Audit Committee shall have the right to report the issue to the shareholders as part of the report on its activities in the annual report.

## ***7. DUTIES & RESPONSIBILITIES***

It is the Audit Committee's primary duty to act independently from the executive to ensure that the interests of the shareholders are properly protected in relation to financial reporting and internal control and to act as the key representative body for overseeing the Company's relations with the external auditors. The Audit Committee shall have the following duty and responsibilities:-

### ***Review of the financial information of the Company***

- 7.1 to monitor the 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.
- 7.2 The Audit 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.

7.3 Regarding 7.2 above:-

- (a) Members should liaise with the Board and senior management and the person appointed as the Company's qualified accountant and the committee must meet, at least twice a year, with the Company's auditors; and
- (b) the Audit 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 qualified accountant, compliance officer or auditors.

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

7.4 The Audit Committee should have the following responsibilities:-

- (a) 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;
- (b) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems and the discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (c) 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;
- (d) 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. Where there is no internal audit function, the Audit Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.
- (e) to review the Company and its subsidiaries' financial and accounting policies and practices;

- (f) 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;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters set out in the terms of reference here; and
- (i) to consider other topics, as defined by the Board;

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

- 7.5 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;
- 7.6 to review and monitor the external auditor's independence and objectivity;
- 7.7 to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 7.8 to develop and implement policy on engaging an external auditor to supply non-audit services;
- 7.9 In regard to 7.8, "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; and
- 7.10 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed.



*Relationship with the Company's employees*

7.11 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; and

7.12 to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

**8. *REPORTING PROCEDURES***

8.1 The secretary shall circulate the minutes of meetings and reports of the Audit Committee to all members of the Board.

8.2 The Audit Committee shall report to the Board after each meeting.

**9. *PUBLICATION OF THE TERMS OF REFERENCE***

9.1 The terms of reference will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company. It is also available at the Company's principal place of business in Hong Kong open for inspection by the shareholders during normal business hours. A copy of the terms of reference will be made available to any person without charge upon request.