

**HKR INTERNATIONAL LIMITED**  
**香港興業國際集團有限公司\***  
(the “Company”)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**  
(the “AudCom”)

**Formation**

The AudCom was formed by the board of directors of the Company (the “Board”) on 17 July 1998.

**Composition, Notice and Quorum**

- The AudCom members shall be appointed by the Board from amongst the non-executive directors (“NEDs”) of the Company and shall comprise not less than 3 members with a majority of independent non-executive directors (“INEDs”).
- Prior notice in writing or by telephone should be given to all AudCom members unless otherwise waived by members in writing. The presence of a member at the meeting deems to have given his/her consent to a waiver or short notice.
- A quorum of meeting of the AudCom shall be two members and resolutions of the AudCom should be passed by a majority vote present at the meeting.
- The Board shall appoint the chairman of the AudCom who should be an INED.
- The finance director, the head of internal audit, and the external auditor shall normally attend meetings of the AudCom. Other Board members shall also have the right to attend.
- The AudCom may meet with the external auditor without executive Board members present from time to time if any member of the AudCom considers it necessary.
- Meetings of the AudCom shall be held not less than twice every financial year. The external auditor may request a meeting if they consider that one is necessary.
- The company secretary of the Company shall be the secretary of the AudCom.

## **Authority and Duties**

1. The AudCom is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the group and all employees are directed to co-operate with any request made by the AudCom.
2. The AudCom 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 necessary.
3. The duties of the AudCom shall :

### *Relationship with the Company's external auditor*

- (a) be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The AudCom should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) 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 AudCom should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

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

- (d) monitor integrity of the Company's financial statements and annual report and accounts, half-year report and accounts and, if prepared for publication, quarterly reports and accounts, and review significant financial reporting judgements contained in them. In reviewing these reports and accounts before submission to the Board, the AudCom should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;

- (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and legal requirements in relation to financial reporting;
- (e) regarding (d) above:
- (i) members of the AudCom should liaise with the Board and senior management and the AudCom must meet, at least twice a year, with the Company’s external auditor; and
  - (ii) the AudCom 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 accounting and financial reporting function, compliance officer (if any) or external auditor;

*Overseeing the Company’s financial reporting system, risk management and internal control systems*

- (f) review the Company’s financial controls, risk management and internal control systems;
- (g) discuss the risk management and internal control systems with management to ensure that the management has performed its duty to have effective risk management and internal control 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) 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, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- (j) review the group’s financial and accounting policies and practices;
- (k) review the external auditor’s management letter, any material queries raised by the external auditor to the management about accounting records, financial accounts or systems of risk management and control and management’s response;

- (l) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) report to the Board on the relevant matters set out in the code provisions under "C.3-Audit Committee" of Appendix 14 to the Listing Rules;
- (n) 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 ensure that proper arrangements are in place for fair and independent investigation of these matters for appropriate follow-up action;
- (o) act as the key representative body for overseeing the Company's relations with the external auditor; and
- (p) consider other topics, as defined by the Board.

### **Reporting Procedures**

The secretary of the AudCom shall circulate draft and final versions of the minutes of the meetings of the AudCom to all members of the AudCom for their comment and records, within a reasonable time after the meetings. The secretary shall also copy the final versions of the minutes to other members of the Board (who are not members of the AudCom) for their records.

Updated on 1 April 2021

*Notes :*

- (i) *The AudCom was formed by the Board on 17 July 1998 which was further supplemented by board resolutions passed on 23 June 2004, 1 September 2004, 26 March 2012 and 24 September 2014.*
- (ii) *The above terms of reference of the AudCom were approved by the Board on 24 March 2005 and amended on 25 January 2006, 27 March 2009, 22 July 2009, 26 March 2012 with correction of typos on 26 June 2013, 18 November 2015 and 1 April 2021.*
- (iii) *As of 1 April 2021, the AudCom members comprised 4 INEDs, namely Mr TANG Kwai Chang (Chairman of the AudCom), Mr CHEUNG Wing Lam Linus, Ms HO Pak Ching Loretta and Ms Barbara SHIU.*

*\* Registered under the predecessor ordinance of the Companies Ordinance, Chapter 622 of the laws of Hong Kong*