

# **KADER HOLDINGS COMPANY LIMITED**

## **AUDIT COMMITTEE TERMS OF REFERENCE**

The Board of Directors (the “Board”) of Kader Holdings Company Limited (the “Company”) hereby constitutes and establishes an Audit Committee (the “Committee”) with authority, responsibilities and duties as described below.

### **Membership**

The members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company. The Committee shall consist of not less than three members and a majority of whom should be independent non-executive directors. At least one of whom is an Independent Non-executive Director 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”). A quorum shall be two members and one of whom must be independent non-executive directors. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.

A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of its Audit Committee for a period of 1 year from the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

### **Authority**

The Committee is authorized by the Board to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice if necessary. The Company shall provide the Committee with sufficient resources to perform its duties.

The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

### **Meetings**

The Committee shall meet at least twice a year. Additional meetings should be held as the Committee deems fit or upon request of the external auditors.

## **Attendance**

As necessary or desirable, the Chairman of the Committee may request members of management and representatives of external auditors be present at meetings of the Committee. Other Board members shall also have the right of attendance. The Committee shall at least twice a year meet with the external auditors without executive Board members present.

## **Annual General Meeting**

The Committee Chairman, or in his absence, another member of the Committee or failing this, his duly appointed delegate shall attend the Annual General Meeting of the Company and be prepared to respond to any shareholder's questions on the Audit Committee's activities.

## **Reporting and Minutes**

The Committee shall report to the Board on its decisions and/or recommendations.

The Company Secretary of the Company shall be the secretary of the Committee and prepare minutes of the meeting of the Committee and send the same to all members of the Committee for their comments within a reasonable time after the meeting. Upon receipt of the comments (if any) from members of the Committee, the secretary of the Committee shall finalize the minutes and send the same within a reasonable time to every member of the Committee and to all other members of the Board for their records.

## **Duties**

The duties of the Committee shall be:

1. 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;
  - (b) 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 the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
  - (c) 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

2. Review of the Company's financial information

- (d) 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:
  - (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 Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding 2(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 without executive Board members present; and
  - (ii) 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 auditors;

3. 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 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in these terms of reference;
- (n) to consider other topics, as defined by the Board;

4. Other Matters

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

Adopted on : 24th May 1999

1st Revised on : 29th March 2012

2nd Revised on : 30th March 2016