



(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 637)

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

(Approved by the Board on 23 March 2012)

### *Constitution*

1. The board of directors of Lee Kee Holdings Limited (the “**Company**”) (the “**Board**”) has resolved the establishment of the Audit Committee on 15 September 2006.

### *Objectives*

2. The Audit Committee shall be responsible for reviewing and supervising the financial reporting process and internal control systems of the Company and its subsidiaries.

### *Membership*

3. The members of the Audit Committee shall be appointed by the Board from time to time and a majority of which must be independent non-executive directors of the Company. The Audit Committee must comprise non-executive director only and a minimum of three members, at least one of whom is 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).
4. The chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive director.
5. Besides the presence of members of the Audit Committee, the head of finance, head of internal auditor and a representative of the external auditors, if any, shall normally attend meetings. Other Board members shall also have the right of attendance. Other individuals such as the chief executive, department head and external advisers may be invited to attend for all or part of any meeting as and when appropriate. However, at least twice a year the Audit Committee shall meet with the external and internal auditors without executive Board members present.
6. Appointments to the Audit Committee shall be for a period of up to two years which may be extended by the Board.

### *Secretary*

7. The Secretary of the Company will act as the secretary of the Audit Committee.

### *Quorum*

- 8 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

### *Meetings*

9. The Audit Committee shall meet at least twice a year. The Board, any member of the Audit Committee and the external auditors may request a meeting if they consider necessary.

### *Notice of Meetings*

10. Meetings of the Audit Committee shall be summoned by the secretary of the Audit Committee at the request of any of its members, the Board or the external auditors.
11. Unless otherwise agreed, notice of meeting containing the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee, any other person required to attend, no later than three working days before the date of the meeting. Meeting papers shall be sent to Audit Committee members and to other attendees as appropriate, at the same time.

### *Minutes of Meetings*

12. The secretary shall minute the proceedings and resolutions of all Audit Committee meetings, including the names of those present and in attendance. All minutes shall record in sufficient details the matters considered, decisions reached or recommendations made and any concerns raised by any member including dissenting views.
13. Draft and final versions of minutes of Audit Committee meetings shall be sent to all members of the Audit Committee for their comment and records within a reasonable time after the meetings.

### *Annual General Meeting*

14. The Chairman of the Audit Committee (or if he is not able to attend, his delegate who shall be a member of the Audit Committee) shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Audit Committee's activities.

### *Duties*

15. The duties of the Audit Committee shall include the following:

#### *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 Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policies 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 Audit 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 the integrity of the Company's financial statements and annual report and accounts, half-yearly 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 Audit Committee should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (e) Regarding to (d) above:-
  - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the Audit 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 accounting and financial reporting function, compliance officer or auditors;

*Oversight of the Company's financial reporting system and internal control procedures*

- (f) to review the Company's financial controls, internal control and risk management systems;

- (g) to discuss the internal control system with management to ensure that management has performed its duty by having an effective internal control system. 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 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 the 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 the 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 set out in the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules);
- (n) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relationship with the external auditor;
- (p) to review ongoing connected transactions (if any) of the Company and ensure their compliance with terms of approval by shareholders of the Company; and
- (q) to consider other topics as defined by the Board and such other matters as the Board may from time to time determine.

In discharging its duties under these terms of reference, the Audit Committee shall take into account relevant provisions of the Listing Rules and other factors that it deems necessary.

#### *Reporting Responsibilities*

16. The Chairman of the Audit Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
17. The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its scope where action or improvement is needed.

18. The Audit Committee shall compile a report on its activities for the Board to consider in the context of preparing the Company's annual report, if necessary.

*Others*

19. The Audit Committee shall review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval, if necessary.

*Authority*

20. The Audit Committee 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 and all employees will be directed to co-operate with any request made by the Audit Committee.
21. The Audit Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference and to secure the attendance of outsiders within relevant experience and expertise at meetings of the Audit Committee if it considers this necessary.
22. The Audit Committee is authorised to require the management to provide it with such resources as may be necessary for it to discharge its duties.