

# **WHEELOCK AND COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 20

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

### ***Membership***

1. The Audit Committee (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 a majority of whom should be independent. Any member so appointed shall hold office only until the next Annual General Meeting of the Company. A quorum shall be any two members.
2. The Chairman of the Committee, who shall be chosen from among the Independent Non-executive Directors who are members of the Committee, shall be appointed by the Board.

### ***Attendance at meetings***

3. The management staff of the Company in charge of finance and accounting functions, the Head of Internal Audit, and one or more representative(s) of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year, the Committee shall meet with the external auditors without executive Board members present.
4. The Company Secretary shall be the secretary of the Committee, and, in the absence of the Company Secretary, any such other person as may from time to time be nominated by the Company Secretary, subject to the approval of the Committee, shall act as the secretary of the Committee.

### ***Voting***

5. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the Chairman of the meeting who shall be the Chairman of the Committee (or, in his/her absence, the Deputy or Vice Chairman (if any) of the Committee who shall be an Independent Non-executive Director, and in the absence of both such Chairman and Deputy/Vice Chairman, any one member of the Committee who: (a) is an Independent Non-executive Director; (b) is present thereat; and (c) is elected by the members present to chair the meeting) shall have a second or casting vote.

### ***Resolutions in writing***

6. A resolution in writing signed by all of the members for the time being in Hong Kong shall be as valid and effectual as if it had been passed at a meeting of the Committee. Any such resolution may be contained in a single document or may consist of several documents all in like form. In the event of there being only one member for the time being in Hong Kong, a resolution may be signed by that member and any one other

member. In the event of there being no member for the time being in Hong Kong, a resolution may be signed by any two members.

### *Frequency of meetings*

7. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

### *Authority*

8. The 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 are directed to co-operate with any request made by the Committee.
9. The Committee 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 it considers this necessary.

### *Duties*

10. The duties of the Committee shall be:

#### *(A) Relationship with the Company's external auditors*

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and
- (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.

#### *(B) Review of financial information of the Company*

- (a) to monitor integrity of financial statements of the Company and the Company's 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 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;
- (b) regarding (B)(a) above:-
- (i) members of the Committee should liaise with the Company's Board and Senior Management and the Committee must meet, at least twice a year, with the Company's external auditors; 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, or for compliance function, or auditors (internal or external).
- (C) *Oversight of the Company's financial reporting system, and risk management and internal control systems*
- (a) to review the Company's risk management and internal control systems covering all controls; including financial, operational and compliance controls, with the support of the Risk Management and Internal Control Committee;
  - (b) 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 budgets of the Company's accounting, internal audit and financial reporting functions;
  - (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 and to review the statements concerning risk management and internal control to be included in the annual report;
  - (d) to ensure co-ordination between the internal and external auditors, to review and approve the annual internal audit plan, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company for it to carry out an analysis and independent appraisal of the adequacy and effectiveness of the Company's financial reporting system and risk management and internal control systems, and to review and monitor the effectiveness of the internal audit function;
  - (e) to review the Group's financial and accounting policies and practices;

- (f) to review the external auditors' management letter, any material queries raised by the auditors 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 auditors' management letter;
- (h) to report to the Board on the matters in the Code Provisions in the Listing Rules;
- (i) 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;
- (j) to act as the key representative body for overseeing the Company's relations with the external auditors; and
- (k) to consider other topics, as defined by the Board.

*(D) Oversight of the Company's Corporate Governance Matters*

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and Senior Management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to consider other topics, as defined by the Board.

Without prejudice to the generality of the foregoing, the Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements). The reporting shall be done by the Chairman of the Committee or any such other person designated by the Committee.

***Circulation of Minutes***

11. The secretary shall circulate the minutes of meetings of the Committee to all members of the Board within a reasonable time after the meeting.

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