

**KENFORD GROUP HOLDINGS LIMITED**  
**(the “Company” together with its subsidiaries collectively as the “Group”)**

Terms of Reference of the Audit Committee  
(the “Committee”)

Adopted by the Board of Directors on 29 April 2005 with  
first revisions approved by the Board of Directors on 17 July 2009  
second revisions approved by the Board of Directors on 15 August 2011  
third revisions approved by the Board of Directors on 29 June 2016  
fourth revisions approved by the Board of Directors on 31 December 2018

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**Membership**

1. The Committee shall comply at all time with the requirements of the Listing Rules relating to the appointment of Independent Non-Executive Directors (“**INED**”) representing at least one-third of the Board, with at least one of the INED in the Committee having appropriate professional qualifications or accounting or related financial management expertise. All of these are required under rule 3.10(2), 3.10A and 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
2. The Committee should be provided with sufficient resources to perform its duties.
3. The Committee must comprise a minimum of three members.
4. The Committee must comprise non-executive directors only and the majority of the Committee must be independent non-executive directors.
5. The Board shall nominate one of the independent non-executive directors as the Chairman of the Committee.
6. 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 at least 2 years 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.
7. The Company Secretary or a nominee shall act as the Secretary of the Committee.

**Frequency and proceedings of meetings**

8. The Committee shall meet at least twice every year. The Auditors may also request a meeting with the Committee if they consider necessary. Additional meetings shall be held as the work of the Committee demands.
9. The head of finance and the head of internal audit (if any) of the Company and a representative of the external auditors of the Company shall attend meeting of the Committee. Other members of the Board shall also have the right of attendance. The other Board members’ right of attendance, however, is subject to the requirement that the Committee shall meet at least twice a year with the external auditors without any executive Board members present at the meeting.
10. The Chairman of the Committee may convene additional meetings at his discretion.
11. The quorum of a meeting shall be two members of the Committee.

12. The Committee may, from time to time, invite advisors to the meeting, including but not limited to external advisors or consultants to advise its members.

13. Proceedings of meetings of the Committee shall be governed by the provisions of Article 62 and 116 of the Articles of Association of the Company.

**Duties, powers and functions**

14. The Committee shall:

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

(a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(b) 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 auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(d) act as the key representative body for overseeing the Company's relations with the external auditor.

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

(e) 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;

(f) In this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly 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;

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(vii) the fairness and reasonableness of any connected transaction and the impact of such

transaction on the profitability of the Group and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;

(viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;

(ix) any significant or unusual items that are, or may need to be, reflected in such reports and accounts; and

(x) the cashflow position of the Group;

and to provide advice and comments thereon to the Board;

(g) Regarding (e) and (f) above:

(i) members of the Committee must liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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;

(h) discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

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

(i) 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;

(j) to discuss the risk management and internal control systems with management to ensure that management has discharged its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(k) to consider any 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;

(l) where an internal audit functions 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;

(m) to review the Group's financial and accounting policies and practices;

(n) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

(o) to ensure that the Board will provide a timely response to the issues raised in the external

auditor's management letter;

(p) to report to the Board on the matters set out in the provisions of the Corporate Governance Code in Appendix 14 of the Listing Rules;

(q) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

(r) to consider other topics, as defined by the Board.

### **Reporting Procedures**

15. Full minutes of audit committee meetings should be kept by the secretary of the meeting.

16. The Secretary of the Committee shall send the draft and final versions of minutes of meetings of the Committee to all members of the Committee for their comment and records within a reasonable time after every meeting. The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report the findings and recommendations of the Committee to the Board.

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