



KECK SENG INVESTMENTS (HONG KONG) LIMITED

激成投資 (香港) 有限公司

(Incorporated in Hong Kong with limited liability)

Website: www.keckseng.com.hk

(Stock Code: 184)

AUDIT AND COMPLIANCE COMMITTEE

TERMS OF REFERENCE

(Adopted on 31 December 2020)

1. Composition

- 1.1 The Audit and Compliance Committee (hereinafter referred to as “Committee”) shall consist of not less than three members (hereinafter referred to as “Members”) appointed by the Board of Directors (hereinafter referred to as the “Board”) of Keck Seng Investments (Hong Kong) Limited (hereinafter referred to as the “Company”), all of whom shall be non-executive directors, a majority of whom shall be independent non-executive directors (hereinafter referred to as “INEDs”) and at least one of whom shall be an INED 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 (hereinafter referred to as the “Listing Rules”).
- 1.2 The Chairman of the Committee shall be appointed by the Board and shall be an INED.

2. Meetings

- 2.1 Meetings will be called by the Chairman of the Committee, and held as and when necessary in order to conduct its business in accordance with the terms of reference stated herein.
- 2.2 Full minutes of the Committee meetings should be kept by the company secretary of the Company. Draft and final versions of minutes of the meetings should be sent to all Members for their comment and records, within a reasonable time after the meeting.
- 2.3 Meeting shall be held not less than twice a year. The external auditor may request a meeting if they consider that one is necessary.
- 2.4 Quorum for the meetings of the Committee shall be any two Members, at least one of whom shall be an INED.
- 2.5 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present.

- 2.6 A resolution in writing signed by all Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 2.7 Meetings could be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment or through electronic means of communications by means of which all persons participating in the meeting are capable of hearing each other.
- 2.8 An agenda and accompanying board papers should be sent in full to all Members at least 3 days before the intended date of a meeting of the Committee.
- 2.9 Unless otherwise specified in the terms of reference stated herein, the provisions contained in the Company's articles of association for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Committee.

3. Resources

The Committee should be provided with sufficient resources to perform its duties.

4. Authority

- 4.1 The Committee shall have access to independent legal and other professional advice. The Company shall pay for such legal and professional advice if such advice is considered necessary by the Committee in order for the Committee to discharge its duties and obligations in accordance with the terms of reference stated herein.
- 4.2 The Committee is authorized by the Board to inspect all accounts, books and records of the Company, investigate any activity within the terms of reference stated herein, seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 4.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

5. Duties

The duties of the Committee shall be:

- (a) to 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) 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 auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services, and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (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 the 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;

Members of the Committee should liaise with the Board and senior management as and when necessary. The Committee must meet with the Company's auditor at least twice a year, with at least one additional meeting in the absence of company management. The Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts. It should also 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;

- (e) to review the Company's financial controls and internal control system;
- (f) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system and the discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (g) 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;
- (h) 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;
- (i) to review the group's financial and accounting policies and practices;
- (j) 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;
- (k) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (l) 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 and the Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (m) to act as the key representative body for overseeing the Company's relations with the external auditor;

- (n) to develop and review the Company's policies and practices on corporate governance, review the Company's compliance with the Corporate Governance Code set out in Appendix 14 of the Listing Rules, review disclosures in the Corporate Governance Report, and to report and make recommendation to the Board on matters relating to corporate governance;
- (o) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (p) to review management's report on the Company's Environmental, Social and Governance activities and advise the Board on matters in relation to Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules; and
- (q) to consider other topics, as defined by the Board.

6. Reporting procedures

The Committee should report to the Board on a regular basis and keep the Board fully informed of its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

7. Annual General Meeting

The Chairman of the Committee or in his absence, another Member or the Chairman's duly appointed delegate, shall attend the Company's annual general meetings and be prepared to respond to shareholders' questions on the Committee's activities.

8. Publication of the terms of reference of the Committee

These terms of reference of the Committee shall be published on the website of the Company and that of the Stock Exchange of Hong Kong Limited.