



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

(the “**Company**”)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Constitution

- 1.1 The audit committee of the Company (together with its subsidiaries, the “**Group**”) (the “**Audit Committee**”) is established pursuant to a resolution passed by the board of directors of the Company (the “**Board**”) at the meeting held on 16 December 1998.

2. Membership

- 2.1 The Audit Committee shall consist of not less than three members appointed by the Board from amongst the non-executive directors and a majority of whom shall be independent non-executive directors (“**INEDs**”). At least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise as required in Rule 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (the “**Listing Rules**”).
- 2.2 The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board and must be an INED. In the absence of the Chairman from any meeting, the remaining members of the Audit Committee present shall elect one of their members to be the chairman of the Audit Committee meeting.
- 2.3 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of two years from the date of his/her ceasing:
- (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,
- whichever is later.
- 2.4 The Company Secretary of the Company or may be otherwise appointed by the Board, shall be the secretary of the Audit Committee.

3. Frequency and proceedings of meetings

- 3.1 The Audit Committee shall meet at least two times a year with the presence of the external auditor. Additional meetings shall be held as the work of the Audit Committee demands.
- 3.2 The Chairman of the Audit Committee may convene additional meetings at his/her discretion.
- 3.3 The external auditor may request the Chairman of the Audit Committee to convene a meeting, if they consider that one is necessary.
- 3.4 The Chairman of the Board, Chief Executive Officer, Chief Accountant and the external auditor shall normally be invited to attend Audit Committee meetings, where appropriate. Other staff members, including other Board members, who have specific responsibility for an issue under review may also be invited to attend.
- 3.5 The quorum for a meeting shall be two members. 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.
- 3.6 A resolution in writing signed by all the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee and may consist of several documents in like form each signed by one or more of the members of the Audit Committee.
- 3.7 Proceedings of meetings of the Audit Committee shall be governed by the provisions of the Bye-Laws of the Company.

4. Minutes of meetings

- 4.1 The secretary of the Audit Committee should keep full records of all resolutions passed by the Audit Committee.
- 4.2 Draft and final versions of minutes of the meetings should be sent to all Audit Committee members for their comment and records, within a reasonable time after the meeting.

5. Authority

- 5.1 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 are directed to co-operate with any request made by the Audit Committee.
- 5.2 The Audit Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

- 5.3 The Audit Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- 5.4 Where the Board disagrees with the Audit Committee's view or the selection, appointment, resignation or dismissal of external auditor, the Audit Committee should include in the corporate governance report a statement from the Audit Committee explaining its recommendations and also the reason(s) why the Board has taken a different view.
- 5.5 The Audit Committee is to be provided with sufficient resources to perform its duties.

6. Duties

The duties of the Audit Committee shall be:

6.1 Relationship with the Company's external auditor

- (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 external 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. 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;
- (d) to evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; inquire of the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (e) seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

- (f) to ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the Audit Committee should consider:
 - (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;
 - (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the external audit because the external auditor provides non-audit services;
 - (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and
 - (iv) criteria for compensation of the individuals performing the audit;
- (g) to discuss with the external auditor any recommendations arising from the audit (if necessary, in the absence of management);
- (h) to meet with the external auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise; and
- (i) to act as the key representative body for overseeing the Company's relations with the external auditor.

6.2 Review of the Company's financial information

- (a) to monitor the integrity of the Company's financial statements and annual report and accounts, interim 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 assumption and any qualifications;
 - (v) compliance with accounting and auditing standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting; and

- (b) with regard to (a) 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 external auditor; 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, and 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 external auditor.

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

- (a) 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 (including financial, operational and compliance controls);
- (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 budget of the Company's accounting and financial reporting function;
- (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;
- (d) 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;
- (e) to review the Group's financial and accounting policies and practices, and have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (f) to review the external auditor's management letter, any material queries raised by the external auditor 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 issues raised in the external auditor's management letter;
- (h) to review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations; and

- (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 Audit Committee should ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow-up action.

6.4 Others

- (a) to report to the Board on the matters herein and the code provisions of the Corporate Governance Code under Appendix 14 of the Listing Rules (as amended from time to time);
- (b) to consider other topics, as defined by the Board;
- (c) to apprise the Board of significant developments in the course of performing the above duties; and
- (d) to recommend to the Board any appropriate extensions to, or changes, in the duties of the Audit Committee.

7. Availability of this terms of reference

- 7.1 The Audit Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board and by including them on the Stock Exchange's website and the Company's website.

Hong Kong, 8 December 2022