

**WAH HA REALTY COMPANY LIMITED (“THE COMPANY”)**  
**(Incorporated in Hong Kong with limited liability)**

**Terms of Reference of the Audit Committee**

**1. CONSTITUTION**

The Audit Committee (the “Committee”) was formed in December 1998 and is a committee of the board of directors of the Company (the “Directors”) (the “Board”). It is appointed by the Board and reports to it accordingly.

The Terms of Reference were adopted in 1998 and revised pursuant to the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) (as modified from time to time). The latest revision, which was approved and adopted by the Board, was effective on 1 January 2019 .

**2. OBJECTIVE**

The Committee is to serve as a focal point for communication between the Directors, the external auditor and the internal auditor (where an internal audit function exists) as regards their duties relating to financial and other reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.

The Committee is accountable to and assists the Board in fulfilling its oversight responsibilities by providing an independent review and supervision of financial reporting and by satisfying themselves as to the effectiveness of the risk management and the internal controls of the Company and its subsidiaries and the adequacy of the external and internal audits.

**3. MEMBERSHIP**

3.1 All the members of the Committee (the “Members”) shall be appointed by the Board from amongst the Non-executive Directors of the Company (“NEDs”). The Committee shall be made up of at least 3 members.

- 3.2 The majority of the Members must be Independent Non-executive Directors (“INEDs”) and at least one INED must have appropriate professional qualifications or accounting or related financial management expertise.
- 3.3 A former partner of the Company’s existing auditing firm is prohibited from acting as the Member for a period of 2 years from the later of (a) the date of his ceasing to be a partner of the firm; or (b) the date of his ceasing to have any financial interest in the firm.
- 3.4 The chairman of the Committee shall be appointed by the Board and must be an INED.
- 3.5 All the Members are appointed by the Board and can be removed by the Board at its sole discretion. The Board shall from time to time vary the composition of the Committee as may be required by the Listing Rules (as modified from time to time) or other codes, rules and regulations as may be prescribed by any applicable regulatory authority from time to time.

#### **4. SECRETARY**

The Company Secretary of the Company (failing whom, a person nominated by the chairman of the Committee) shall be the secretary of the Committee (the “Secretary”).

#### **5. MEETINGS**

##### **5.1 Frequency**

The Committee shall meet at least twice a year. Additional meetings shall be held if the Committee or the Company’s external auditor shall so request.

##### **5.2 Notice**

Notice of any meetings of the Committee has to be given 7 days prior to any such meeting being held, unless all the Members unanimously agree otherwise. Notice of any adjourned meeting is not required if the adjournment is for less than 14 days.

### 5.3 Quorum

The quorum necessary for the transaction of business shall be 2 Members, one of which should be an INED. In the absence of the Chairman of the Committee, the remaining Members present shall elect one of them to chair the meeting.

### 5.4 Attendance

5.4.1 Group Finance Director, Head of Accounts Department, the Company Secretary and other members of the Board may attend the meetings. The Committee may invite any appropriate persons to attend the meetings whenever it is necessary.

5.4.2 At least once a year, representative(s) of the Company's external auditor will meet the Committee without any Executive Director of the Company being present, except by invitation of the Committee.

### 5.5 Voting and Resolutions

5.5.1 Only the Members are entitled to vote at the Committee meeting.

5.5.2 Resolutions at any meeting of the Committee shall be passed by a majority of votes of the Members present. In the case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote.

5.5.3 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

5.5.4 Meetings could be held in person, by telephone or by video conference or by any other similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other.

### 5.6 Minutes

5.6.1 The Secretary shall minute the proceedings and resolutions of all the meetings of the Committee.

5.6.2 The Secretary shall keep full minutes of all the meetings of the Committee. Draft and final versions of the minutes shall be sent to all the Members for their comments and records within a reasonable period of time after each meeting. Such minutes shall be open for Directors' inspection.

## **6. ANNUAL GENERAL MEETING**

The Chairman of the Committee or in his/ her absence, another Member (who must be an INED) of the Committee shall attend the Annual General Meetings of the Company and make himself/ herself available to respond to any shareholder's questions on the Committee's activities and their responsibilities.

## **7. AUTHORITY**

- 7.1 The Committee is authorized by the Board to investigate any activity within the Terms of Reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 7.2 The Committee is authorized 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 (such arrangement could be made through the Company Secretary).
- 7.3 The 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.
- 7.4 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Corporate Governance Report in the annual report should include a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- 7.5 The Committee is to be provided with sufficient resources to perform its duties.

## **8. DUTIES**

The Committee shall carry out at least the duties set forth below:-

### **Relationship with the Company's external auditor**

- 8.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and handling any questions of its resignation or dismissal;
- 8.2 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 shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 8.3 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;
- 8.4 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 8.5 to act as the key representative body for overseeing the Company's relations with the external auditor;

### **Review of the Company's financial information**

- 8.6 to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly report (if applicable), and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee shall 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;

8.7 Regarding 8.6 above:-

- (i) the Members shall liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditor; and
- (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall 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 person occupying the same position) or auditor;

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

8.8 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;

8.9 to discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

8.10 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;

8.11 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;

8.12 to review the group's financial and accounting policies and practices;

8.13 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;

- 8.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 8.15 to report to the Board on the matters in the Terms of Reference;
- 8.16 to consider other topics or matters, as defined or referred to the Committee by the Board; and
- 8.17 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 to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

## **9. REPORTING PROCEDURES**

The Committee shall report to the Board after each meeting.

## **10. FREQUENCY OF REVIEW**

The Terms of Reference shall be reviewed and revised as required.

## **11. PUBLICATION OF THE TERMS OF REFERENCE**

The Terms of Reference are published on the respective websites of the Stock Exchange and the Company.