



Willie International Holdings Limited

威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

AUDIT COMMITTEE
TERMS OF REFERENCE

(Adopted by the Board on 28 June 2005 and amended on 29 March 2012)

Constitution

1. The Audit Committee was formed pursuant to a resolution of the board of directors (“the Board”) of Willie International Holdings Limited (“the Company”) passed on 28 June 2005.

Membership

2. The Audit Committee members shall be appointed by the Board from amongst the non-executive directors of the Company, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The majority of the Audit Committee members must be independent non-executive directors of the Company.
3. The Audit Committee shall consist of not less than 3 members.
4. The Chairman of the Audit Committee shall be appointed by the Board. The Audit Committee must be chaired by an independent non-executive director.

Attendance at meetings

5. The Financial Controller of the Company and the representative(s) of the external auditor shall normally attend meetings of the Audit Committee. Other directors of the Board shall also have the right of attendance. However, at least twice a year the Audit Committee shall meet with the external auditor without executive directors present. The company secretary of the Company shall be the secretary of the Audit Committee. The secretary of the Audit Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Audit Committee. Full minutes of the Audit Committee meetings should be kept by the secretary of the meeting. Draft and final versions of minutes of the meetings should be sent to all the Audit Committee members for their comments and records within a reasonable time after the meeting.

Frequency and proceedings of meetings

6. Meetings shall be held not less than twice a year. Additional meetings shall be held as the work of the Audit Committee demands. The Audit Committee may meet to discuss the current year's audit plan and prior to the finalisation of the interim and annual accounts. The external auditor may request a meeting if they consider that one is necessary.
7. The quorum of a meeting shall be 2 committee members.
8. The meetings and proceedings of the Audit Committee are governed by the provisions contained in the articles of association of the Company for regulating meetings and proceedings of Directors.

Authority

9. 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.
10. The Audit 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 at the Company's expenses. The Audit Committee shall be provided with sufficient resources to perform its duties.

Duties and functions

11. The duties of the Audit Committee shall be:

Relationship with the Company's 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 auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to acts as the key representative for overseeing the Company's relations with the external auditor;

- (d) to develop and implement policy on engaging 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 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;

Review of the Company’s financial information

- (e) to monitor integrity of the Company’s financial statements, 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 Audit 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;
- (f) Regarding (e) 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 Company’s 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, 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 and compliance function or the auditor;

Oversight of the Company's financial reporting system and internal control procedures

- (g) to review the Company's financial controls, internal control and risk management systems;
- (h) to discuss the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system. 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;
- (i) to consider any findings of major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
- (j) 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;
- (k) to review the group's financial and accounting policies and practices;
- (l) to review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and the management's response;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) 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 Audit Committee is to ensure proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to report to the Board on the matters in these Terms of Reference; and
- (p) to consider other topics, as defined by the Board.

Reporting procedure

12. The Audit Committee should report to the board on a regular basis. At the Board meeting next following a meeting of the Audit Committee, the chairman of the Audit Committee shall report to the Board on the findings and recommendations of the Audit Committee.