



**KOS International Holdings Limited**  
**高奧士國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

(the “**Company**”)

(**Stock Code: 8042**)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**Constitution**

1. The board (the “**Board**”) of directors (the “**Directors**”) of our Company resolved the establishment of the audit committee (the “**Committee**”) on 13 September 2018.

**Members and Secretary**

2. Members of the Committee shall be appointed by the Board of the Company from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise under Rule 5.05(2) of the Rules Governing the listing of Securities on GEM operated by The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).
3. The chairman of the Committee (the “**Chairman**”) must be an independent non-executive Director and shall be appointed by the Board.
4. The secretary of the Committee (the “**Secretary**”) shall be appointed by the Board. The Secretary will be the company secretary of the Company.
5. The appointment of the members and the Secretary may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and the Committee.
6. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of 1 year 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.

**Proceedings of the meetings**

7. Unless otherwise agreed by all the Committee members, a meeting of the Committee shall be called by at least 7 clear days’ notice.
8. The Committee may convene meetings when it deems appropriate in discharging its duties. Meetings of the Committee shall be planned prior to the beginning of each financial year of the Company, and shall not be less than four times a year. A member of the Committee may and, on the request of a member of the Committee, the Secretary shall, at any time summon a meeting of the Committee.

9. The quorum of the Committee meeting shall be two members of the Committee, at least one of whom must be an independent non-executive Director.
10. The Committee members may attend meetings of the Committee either in person or through other electronic means of communication such as telephone or video conference (if made available to the Company). Should any member of the Committee wish to attend a meeting through electronic communication, prior arrangements shall be made with the Secretary.
11. The Committee shall meet at least once a year with the external auditors without executive Board members present.
12. Resolutions of the Committee at any meetings shall be passed by a majority of votes of the members present.
13. A resolution in writing signed by all members shall be as valid and effectual as if it has been passed at a meeting of the Committee duly convened and held.
14. Unless otherwise stated herein, proceedings of meeting of the Committee shall be governed by the relevant provisions of the Articles of Association of the Company (as amended from time to time).

#### **Annual general meeting**

15. The Chairman of the Committee or in his/her absence, another member of the Committee, shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.

#### **Circulation of minutes and written resolutions**

16. Full minutes of the Committee meetings should be kept by the Secretary. Draft and final versions of minutes of the Committee meetings should be sent to all committee members for their comment and records within a reasonable time after the meeting. The minutes shall be confirmed by the Chairman of that particular meeting signing the same or confirmed by resolutions passed in the following Committee meeting or Board meeting. All Directors shall, at any time, have access to the minutes of the committee meetings.
17. The Secretary shall circulate the minutes of meetings and all written resolutions of the Committee to all members of the Board.
18. Written resolutions must be passed by all members of the Committee.

#### **Authority**

19. The Committee may exercise the following powers:
  - (a) to seek any information it requires from any employee of the Company and its subsidiaries (the "**Group**") and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Committee and to supply information and answer questions raised by the Committee;

- (b) to monitor whether the Group's management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the GEM Listing Rules) and other rules and regulations from time to time laid down by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request management to make investigation and submit reports;
- (d) to review the Group's risk management and internal control system;
- (e) to review the performance of the Group's employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group's internal control procedures and system;
- (g) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditors of the Group;
- (h) to obtain outside legal or other independent professional advice and to secure the attendance of independent third parties with relevant experience and expertise, if it considers this necessary or appropriate in discharging its duties; and
- (i) Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall 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.

### **Responsibilities of the Committee**

20. The Committee shall:

- (a) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, consider the external auditors' proposed audit fees, approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (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 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (d) monitor integrity of the Company's financial statements and the annual report and accounts, half-year report, and 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 adopted by the Group;
  - (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 GEM Listing Rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:
  - (i) liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) consider any significant or unusual items that are, or may need to be, reflected in the report 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, compliance officer or auditors;
- (f) discuss problems and reservations arising from the interim limited review and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (g) to review the Company's financial controls, risk management and internal control systems at least annually and the review should cover all material controls, including financial, operational and compliance controls;
- (h) 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;
- (i) 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;
- (j) review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (k) (where an internal audit function exists) review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- (l) 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;
- (m) review the Group's financial and accounting policies and practices;
- (n) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) directly report to the Board on the matters in these terms of reference, and on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements);
- (p) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (q) act as the key representative body for overseeing the Company's relations with the external auditor;
- (r) set the scope for internal control review;
- (s) to meet with the 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 that the auditor may wish to raise;
- (t) obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
- (u) consider other matters, as defined or assigned by the Board from time to time; and
- (v) establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.

### **Voting rights of the Committee**

21. The Committee has the following veto rights. The Group cannot implement any of the following matters which has been vetoed by the Committee:
  - (a) to approve any connected transaction within the meaning of the GEM Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive Directors and the independent shareholders); and
  - (b) to employ or dismiss the Group's financial controller or the internal audit manager.

## **The articles of association of the Company**

22. These terms of reference shall not prevail the articles of association of the Company, in particular for the provisions where a Director is not allowed to vote in the case of conflicts of interest.
23. The articles of association of the Company regulating the meetings and proceedings of the Directors, so far as the same are applicable and not inconsistent with the provisions of these regulations, shall apply to regulate the meetings and proceedings of the Committee.

## **Powers of the Board**

24. The Board may, subject to compliance with the articles of association of the Company and the GEM Listing Rules, amend, supplement and revoke these regulations and any resolution passed by the Committee provided that no amendments to and revocation of these regulations and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if these regulations or resolution had not been amended or revoked.

## **Alternate members**

25. A member of the Committee may not appoint any alternate member.

## **Others**

26. The Committee shall have access to sufficient resources in order to discharge its duties. The Chairman of the Committee or in his/her absence, another member of the Committee, shall attend the Company's annual general meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.
27. This terms of reference has been prepared in English. In the event that there is any discrepancy or inconsistency between the English version and the Chinese version, the English version shall prevail.