

KINGMAKER FOOTWEAR HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

AUDIT COMMITTEE
Terms of Reference

Constitution

1. The Board hereby resolves to establish a committee of the Board to be known as the Audit Committee (the “**Audit Committee**”).

Membership

2. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company and the Committee shall consist of not less than three members, at least one of whom, shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) and the transitional procedures under rule 3.19 of the new Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). A quorum of a meeting of the Committee shall be two members.
3. The majority of the Audit Committee must be independent non-executive directors of the Company.
4. The Audit Committee must be chaired by an independent non-executive director of the Company.

Attendance at meetings

5. The financial controller and/or the head of internal audit (if any), and a representative of the external auditors shall normally attend meetings of the Audit Committee. Other Board members shall also have the right of attendance. The other Board members’ said right of attendance, however, is subject to the requirement that the Audit Committee shall meet at least once a year with the external auditors without executive Board members present.
6. The Company Secretary of the Company shall be the secretary of the Audit Committee.

Frequency of meetings

7. Meetings of the Audit Committee shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

8. 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 of the Company and its subsidiaries (together, the “**Group**”) and all

employees of the Group are directed to co-operate with any request made by the Audit Committee.

9. 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.

Duties

10. The duties of the Audit Committee shall include, but shall not be limited to the following:
 - (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
 - (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
 - (c) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
 - (d) to develop and implement policy on the engagement of an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
 - (e) to monitor the integrity of financial statements of the Company and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports and to review significant financial judgements contained in them before submission to the Board, focusing 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;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting.
 - (f) to liaise with the Board, senior management and the qualified accountant of the Company and to meet, at least once a year, with the Company's auditors and to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any

matters that have been raised by the Company's qualified accountant, compliance officer or auditors;

- (g) to review the Company's financial controls, internal control and risk management systems;
- (h) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control systems;
- (i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management response; findings of internal investigations and management's response; and
- (j) (where an internal audit function exists) to 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 the effectiveness of the internal audit function;
- (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 management in respect of accounting records, financial accounts or systems of control and 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 report to the Board on the matters set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules; and
- (o) to consider other topics, as defined by the Board.

Report procedures

11. The secretary shall circulate the minutes of meetings of the Audit Committee to all members of the Board.

Note : The Audit Committee should refer to "A Guide for Effective Audit Committees" published by the Hong Kong Society of Accountants in February 2002 and "Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence" issued by the Technical Committee of the International Organization of Securities Commission in October 2002 whenever necessary.

Members: Mr. Tam King Ching, Kenny, Mr. Chow Wing Kin, Anthony, Mr. Chan Mo Po, Paul and Mr. Yung Tse Kwong, Steven.