
Terms of Reference of Audit Committee

TENCENT HOLDINGS LIMITED

(the “Company”)

Audit Committee

Composition, terms of reference and responsibilities

Definition

1. For the purposes of these terms of reference:

“Audit Committee” means the audit committee established by the resolution of the Board in accordance with clause 2 of these terms of reference.

“Board” means the board of directors of the Company.

“Chief Financial Officer” means the senior officer of the Company responsible for financial management as appointed by the Board from time to time.

“Company Secretary” means the company secretary of the Company.

“Directors” mean the directors of the Board.

“Group” means the Company, its subsidiaries and companies consolidated for accounting purposes.

“Listing Rules” mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).

Constitution

2. The Board hereby resolves to establish a committee of the Board to be known as the Audit Committee.

Membership

3. The Audit Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors. At least one member of the Audit Committee should be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. A quorum shall be two members.

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4. The chairman of the Audit Committee shall be appointed by the Board and should be an independent non-executive Director.
 5. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year commencing on the date of his ceasing a) to be a partner of the firm, or b) to have any financial interest in the firm, whichever is the later.

Attendance at meetings

6. The Chief Financial Officer, the head of internal audit of the Company and a representative of the external auditors shall normally attend meetings. However, at least once a year the Audit Committee shall meet with the external auditor without the Company's management being present.
7. The Company Secretary shall be the secretary of the Audit Committee.

Frequency of meetings

8. Meetings shall be held not less than four times a year. The external auditors may request a meeting if they consider that one is necessary.

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.

Duties

11. The duties of the Audit Committee shall be:

Relationship with the Company's auditors

- (a) to make 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 to consider 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 standards;

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- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and to ensure co-ordination where more than one audit firm is involved;
 - (d) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
 - (e) to develop and implement policy on the engagement of an external auditor to supply non-audit services and 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;
 - (f) to act as the key representative body for overseeing the Company's relationship with the external auditor;

Review of financial information of the Company

- (g) to monitor integrity of financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports of the Company, including but not limited to reviewing any significant financial reporting judgements made therein;
- (h) to review the Company's annual and interim financial statements 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 audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (i) in relation to (g) and (h) above:
 - (i) to liaise with the Board and the Company's senior management and the Audit Committee must meet, at least four times a year, with the external auditor; and
 - (ii) to consider any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and 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;

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

- (j) to review the Company's financial controls, risk management and internal control systems;
- (k) to discuss with the Company's management any matters in relation to the Company's risk management and internal control systems and to ensure that the Company's management has performed its duty in establishing and maintaining effective systems, the discussion of which should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (l) 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;
- (m) where an internal audit function exists, to ensure coordination 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;
- (n) to review the Group's financial and accounting policies and practices;
- (o) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (p) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (q) to review the Board's statement on risk management and internal control systems and the effectiveness of the internal audit function to be included in the annual report prior to the endorsement by the Board;
- (r) 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;

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- (s) to report to the Board on the matters set out in these terms of reference;
 - (t) to the extent feasible, to establish a whistle-blowing policy and system for employees of the Company and those who deal with the Company (eg customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company; and
 - (u) to consider other topics, as required by the Board.

Reporting procedures

12. The secretary of the Audit Committee shall notify members of the Audit Committee of forthcoming meetings and prepare an agenda detailing points of discussion, distribute the necessary papers and prepare minutes of meetings.
13. The secretary of the Audit Committee shall circulate the draft and final versions of minutes of meetings to all members of the Audit Committee for their comment and records, within a reasonable time after the meeting.
14. The chairman of the Audit Committee shall report to the Board at each scheduled Board meeting. The Audit Committee shall keep the Board fully informed of its actions, decisions or recommendations, unless there are relevant legal or regulatory restrictions on its ability to do so.