



**Jinhui Holdings Company Limited**

**金輝集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

*(Stock Code: 137)*

## **AUDIT COMMITTEE (the “Committee”)**

### **Terms of Reference**

*(Adopted by the Board on 25 August 2005 and revised on 12 March 2012)*

#### **1. Membership**

- 1.1** Members of the Audit Committee (the “Members”) shall be appointed by the board of directors of the Company (the “Board”) and are confined to non-executive directors of the Company only.
- 1.2** The Committee shall consist a minimum of three members, 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 Rules Governing the Listing of Securities on Stock Exchange of Hong Kong Limited. The majority of the audit committee members shall be independent non-executive directors.
- 1.3** The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.
- 1.4** A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Committee for a period of one year from 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 later.

#### **2. Attendance at Meetings**

- 2.1** All Board members shall have right of attendance. External advisors and others persons may attend all or part of any meetings at the invitation of the Committee.
- 2.2** Only Members are entitled to vote at the meetings.

### **3. Meetings**

- 3.1** The Committee shall meet at least twice a year. The Chairman of the Committee may convene additional meetings at his discretion.
- 3.2** At least twice a year, the Committee shall meet with the external auditor.
- 3.3** The quorum of a meeting shall be two Members.
- 3.4** Meetings could be held in person or through other electronic means. Members can attend the meeting via telephone or any similar communication device and a member participating in such a meeting by any such means is deemed to be present at that meeting.
- 3.5** Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present. The resolution passed and signed by all Members is valid, and the validity is same as any resolution passed in the meeting held.
- 3.6** The secretary of the Committee shall be appointed by the Committee and shall keep full minutes of the Committee meetings. Minutes of the meetings shall be sent to all Members for their records within a reasonable time after the meeting.

### **4. Authority**

- 4.1** The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees shall co-operate with any request made by the Committee.
- 4.2** 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.
- 4.3** 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 reasons why the Board has taken a different view.
- 4.4** The Committee is to be provided with sufficient resources to perform its duties.

## **5. Responsibility and Duties**

The Committee's duties should include:

### **5.1** *Relationship with the Company's external auditors*

- 5.1.1** to be primarily responsible to make recommendations to the Board on the appointment, re-appointment 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;
- 5.1.2** to assess the quality of the service and the reasonableness of the fees charged by the external auditors;
- 5.1.3** to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 5.1.4** to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; and
- 5.1.5** to develop and implement policy on engaging an external auditor to supply non-audit services and to report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

### **5.2** *Reviewing of the Company's financial information*

- 5.2.1** to monitor integrity of the Company's financial statements, and annual report and accounts, interim 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 Committee should focus particularly on:
  - (a) any changes in accounting policies and practices;
  - (b) major judgemental areas;
  - (c) significant adjustments resulting from audit;
  - (d) the going concern assumptions and any qualifications;

- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules and legal requirements in relation to financial reporting.

**5.2.2** regarding (5.2.1) above, to liaise with the Board and senior management and the Committee must meet, at least twice a year, with the issuer's auditors; and to 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, Company Secretary or auditors; and

**5.2.3** to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary).

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

**5.3.1** to review the Company's financial controls, internal control and risk management systems;

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

**5.3.3** to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

**5.3.4** 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;

**5.3.5** to review the Company's financial and accounting policies and practices; and

- 5.3.6** to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board will provide a timely response to the issues raised;
  - 5.3.7** to report to the Board on the matters raised in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules; and
  - 5.3.8** to consider other topics, as defined by the Board.
- 5.4** 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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 5.5** To act as the key representative body for overseeing the Company's relations with the external auditor.
- 5.6** The Chairman of Committee or (in his presence) the other member of the Committee (should be an independent non-executive director) should attend the annual general meeting of the Company, and be available to handle the shareholders' enquiries on the activities and responsibilities related to the Committee.

## **6. Reporting Procedures**

- 6.1** The Committee shall report to the Board on a regular basis, 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.
- 6.2** At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report to the Board on findings and recommendations of the Committee.

## **7. Publication and Update of the Terms of Reference**

- 7.1** These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements.
- 7.2** These terms of reference, explaining the role of the Committee and the authority delegated to it by the Board, shall be made available to the public by including the information on the Hong Kong Stock Exchange's and the Company's websites.