



## **HOP HING GROUP HOLDINGS LIMITED**

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

**(Stock Code: 47)**

### **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

*(Revised and adopted on 1 January 2016)*

#### **1. AUTHORITY & MEMBERSHIP**

The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall comprise 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 Listing Rules. The majority of the members of the Committee shall be independent non-executive directors.

The Chairman of the Committee who must be an independent non-executive director shall be appointed by the Board.

The Company Secretary shall be the Secretary of the Committee.

A quorum of a meeting of the Committee shall be two members.

#### **2. FREQUENCY OF MEETINGS**

Meetings shall be held not less than twice a year. A meeting of the Committee could be conducted by way of a physical meeting or telephone conference or by passing a written resolution by all members of the Committee.

#### **3. ROLES AND DUTIES OF THE AUDIT COMMITTEE**

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

(a) to be primarily responsible for making recommendation 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 standard. The audit committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to 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 audit committee shall report to the board, identifying and making recommendations on any matters where action or improvement is needed;

#### **Review of the Company's financial information**

- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the board, the committee shall 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;

(e) regarding (d) above:–

- (i) members of the committee should liaise with the board and senior management and the committee shall meet, at least twice a year, with the Company's auditors; and
- (ii) the committee shall 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;

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

- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;
- (g) to 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;
- (h) 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;
- (i) 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;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to 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;

- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in these Terms of Reference and the Corporate Governance Practices on Audit Committee;
- (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. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (p) the Committee should be provided with sufficient resources to perform its duties;
- (q) to make available the Committee's terms of reference, explaining its role and the authority delegated to by the board by including them on the Hong Kong Stock Exchange's website and the Company's website; and
- (r) to consider other topics, as defined by the Board.