



**景業名邦**  
JY GRANDMARK

## **JY GRANDMARK HOLDINGS LIMITED**

**景業名邦集團控股有限公司**

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

**(Stock code: 2231)**

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

(Adopted on 13 November 2019 by the Board)

#### **1. Constitution**

- 1.1 The Audit Committee (the “**Committee**”) was established with its terms of reference pursuant to a resolution passed by the board of directors (the “**Board**”) of JY Grandmark Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) at its meeting held on 13 November 2019. The powers, responsibilities and specific duties of the Committee are summarised as below.

#### **2. Responsibility**

- 2.1 The Committee is to serve as a focal point for communication between other directors of the Board and external auditors of the Company with regards to their duties relating to financial and other reporting, internal controls, external audits and such other matters as the Board determines from time to time.
- 2.2 The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, internal controls of the Group, and adequacy of the external audits.

#### **3. Membership**

- 3.1 The Committee shall consist of not less than three (3) directors appointed by the Board from time to time, all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors. At least one (1) of the independent non-executive directors from the Committee shall have appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**Listing Rules**”).
- 3.2 The Board shall appoint the chairman of the Committee (the “**Chairman**”) who shall be an independent non-executive director.
- 3.3 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee of the Company for a period of two (2) years from the date of his/her ceasing:
- (a) to be a partner of the auditing firm; or
  - (b) to have any financial interest in the auditing firm.

whichever is later.

3.4 Appointments to the Committee shall be co-terminus with the directorship of the relevant members (whether by retirement, rotation or otherwise).

#### **4. Secretary**

4.1 The company secretary of the Company or his/her nominee shall be the secretary of the Committee.

4.2 The secretary of the Committee must ensure that full minutes are kept of all meetings.

#### **5. Frequency and proceedings of meetings**

5.1 The Committee shall meet at least two (2) times every year or at such frequency as required under the Listing Rules or other regulatory requirements applicable to the Company from time to time. Additional meetings should be held as the work of the Committee demands.

5.2 The Chairman may convene additional meetings at his/her discretion.

5.3 Meetings of the Committee may be convened by any member of the Committee via the company secretary of the Company.

5.4 The quorum of a meeting shall be two (2) members of the Committee, one (1) of which shall be an independent non-executive director of the Company.

5.5 Proceedings of meetings of the Committee shall be governed by the provisions of the articles of association of the Company.

5.6 The Committee shall, where appropriate, invite the chief financial officer and representatives of the external auditors to attend the meetings.

5.7 The agenda and related documents of a regular meeting shall be delivered to all members of the Committee in a timely manner and at least three (3) days before the date of the meeting (or such other time as the members may agree), and the above arrangement shall be adopted by all of the other meetings as practicable as possible. Notice of the Committee meetings shall be deemed to be duly given to a member if it is given to him/her personally, by word of mouth or given to him/her in writing sent to his/her last known address or any other address given by him/her to the Company or by electronic means by transmitting it to any email address supplied by the member to the Company for this purpose.

5.8 Meetings of the Committee convened in accordance with the standard procedures having a quorum present at the meeting is sufficient to exercise all or any of the mandate, powers and discretion granted to or exercisable by the Committee. Members of the Committee must attend the meetings in person or by electronic means of communication, including but not limited to, by telephone or video conference. Members may participate in a meeting by communication devices through which all persons attending the meeting are able to hear from each other.

5.9 A resolution in writing signed by all members of the Committee shall be as valid and effective as if the same had been passed at a meeting of the Committee duly convened and held. Any such resolution shall be deemed to have passed at a meeting held on the date on which it was signed by the last member to sign.

5.10 Only members of the Committee are entitled to vote at the meetings.

5.11 Resolutions of the Committee shall be passed by a majority of votes of the members present.

## **6. Authority**

6.1 The Committee is authorized by the Board to act within its terms of reference. It is authorized to seek any information it requires from any employee of the Company and all employees are directed to co-operate with any request made by the Committee.

6.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice as it considers necessary at the Company's expense but subject to prior discussion with the Board on the relevant costs, and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

6.3 The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

6.4 Where the Board disagrees with the Committee's view on the selections, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reason why the Board has taken a different view.

6.5 The Committee shall be provided with sufficient resources to perform its duties.

## **7. Duties**

The duties of the Committee includes the following:

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

7.1 be primarily responsible for making 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 any questions of its resignation or dismissal;

7.2 review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the auditor before the audit commences, the nature and scope of the audit and reporting obligations;

- 7.3 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 auditing firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the auditing firm nationally or internationally. The 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

- 7.4 monitor the integrity of the Company’s financial statements, annual reports, accounts, interim reports 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:
- (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) adequacy of disclosure, consistency within the financial statements and with prior disclosures;
  - (d) significant adjustments resulting from the audit;
  - (e) the going concern assumptions and any qualifications;
  - (f) compliance with accounting standards; and
  - (g) compliance with the Listing Rules and legal requirements in relation to financial reporting.

- 7.5 Regarding 7.4 above:

- (a) members of the Committee shall liaise with the Board, senior management and the person appointed as the Company’s qualified accountant and meet with the Company’s auditors at least two (2) times a year; and
- (b) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall 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

- 7.6 review the Company’s financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, review the Company’s risk management and internal control systems;

- 7.7 discuss the risk management and internal control system with the management to ensure that the management has performed its duty in implementing an effective system. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- 7.8 consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
- 7.9 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;
- 7.10 review the financial and accounting policies and practices of the Company and its subsidiaries. Special meetings may be convened at the discretion of the Chairman or at the request of the senior management to review significant control or financial issues;
- 7.11 review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and the management's response;
- 7.12 ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 7.13 review management's reports on the effectiveness of systems for internal control and financial reporting;
- 7.14 act as the key representative body for overseeing the Company's relations with the external auditor;
- 7.15 make recommendations to the Board on the resolution of any disagreements between the management and the external auditor regarding financial reporting;
- 7.16 discuss problems and reservations arising from the interim review and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- 7.17 the Audit Committee shall report to the Board for decisions or suggestions made by the Audit Committee, unless there is any circumstance that such report is limited by law or regulatory restrictions;
- 7.18 ensure arrangements made by the Company, enabling the employees to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for the Company for fair and independent investigation of these matters and for appropriate follow-up action;
- 7.19 report to the Board on the above matters; and
- 7.20 consider other topics, as defined by the Board from time to time.

## Corporate Governance Function

- 7.21 develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 7.22 review and monitor the training and continuous professional development of directors and senior management;
- 7.23 review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 7.24 develop, review and monitor the code of conduct and compliance manual, if any, applicable to employees and directors; and
- 7.25 review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report in the Annual Report.

## **8. Reporting procedures**

- 8.1 The Committee shall report to the Board on a regular basis, and the Chairman shall report the findings and recommendations to the Board at the next meeting of the Board following each meeting of the Committee, unless there are legal or regulatory restrictions on its ability to do so.
- 8.2 In the event of a disagreement between the Board and the Committee regarding the selection, appointment or dismissal of the external auditor, the Company will include a detailed explanation of the Committee's views and the reasons for the Board's different views in the Corporate Governance Report.

## **9. Minutes**

- 9.1 Minutes of the Committee meetings should be kept by a duly appointed secretary of the meeting, and the draft and final versions of minutes of the Committee meetings should be circulated to all Committee members for their comment and records respectively within a reasonable period of time.
- 9.2 Minutes of the Committee meetings shall record in sufficient detail the matters considered by the Committee members and decisions reached, including any concerns raised by the Committee members and dissenting views expressed.

## **10. General**

- 10.1 These terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and regulatory requirements, including those under the Listing Rules.
- 10.2 The Committee should make available these terms of reference to the public, explaining its role and the authority delegated to it by the Board, by including them on the Hong Kong Exchanges and Clearing Limited news website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.jygrandmark.com](http://www.jygrandmark.com)).

(In case of any discrepancy between the English and Chinese versions of this Terms of Reference, the English version shall prevail.)