



**MIN XIN HOLDINGS LIMITED**

**閩信集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 222)

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

(Effective from 24 March 2021)

### **1. Status, Purpose and Responsibility**

- 1.1 The audit committee (the “Audit Committee”) is a sub-committee of the board of directors (the “Board”) of Min Xin Holdings Limited (the “Company”) to which the Board has delegated consideration of the matters set out in paragraph 6 below.
- 1.2 The Audit Committee is to serve as a focal point for communication between other directors of the Company, the External Auditor and the Internal Auditor (Group Chief Auditor) as regards their duties relating to financial and other reporting, environmental, social and governance (“ESG”) reporting, risk management, internal controls, external and internal audits and such other matters as the Board determines from time to time.
- 1.3 The Audit Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting and ESG reporting, by satisfying themselves as to the effectiveness of the risk management and internal controls of the Company and its subsidiaries, and as to the adequacy of the external and internal audits, ensuring the fairness and creditability of the financial and other reports, and that in presenting results to the general meetings for consideration, the Board has exercised due care, diligence and skills prescribed by law.

### **2. Administrative Structure**

- 2.1 The Audit Committee will be composed of at least three individuals appointed by the Board and all members shall be non-executive directors and a majority of whom shall be independent non-executive directors under the Rules Governing the Listing of

Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Audit Committee shall have relevant skills, knowledges and experiences, and at least one of the independent non-executive directors shall have appropriate professional qualifications as defined by the Listing Rules, or shall have accounting or related financial management expertise. The chairman of the Audit Committee (the “Chairman”) shall be consulted on the appointment of other members of the Audit Committee.

2.2 The Chairman shall be appointed by the Board, and shall be an independent non-executive director with accounting, banking or other relevant financial industry experience. In the absence of the Chairman at any meeting, the Audit Committee will elect one of the members present to act as chairman. The Chairman should attend the annual general meeting to answer shareholder questions on the Audit Committee’s activities.

2.3 Only members of the Audit Committee have the right to attend meetings of the Audit Committee; however, other members of the Board or senior management may be invited to attend, as appropriate. External auditor will be invited to attend meetings of the Audit Committee on a regular basis.

2.4 The Company Secretary of the Company shall be the secretary of the Audit Committee and must ensure that full minutes are kept of all meetings. In the absence of the Company Secretary at any meeting, the Chairman will appoint one of the members presented or such other person as he considers appropriate to act as secretary.

### **3. Other Attendees**

3.1 Except for occasions requiring the Audit Committee to meet without the presence of management, the General Manager, the Financial Controller, the Internal Auditor (Group Chief Auditor), Heads of Risk Management Department and Compliance Management Department shall attend all meetings. Other members of senior management and functional departments may attend meetings of the Audit Committee to deal with relevant matters on the agenda.

3.2 The representatives of the external auditor of the Company (the “External Auditor”) may be invited to attend meetings of the Audit Committee.

3.3 Other Board members may attend meetings of the Audit Committee by request or invitation.

### **4. Meetings**

4.1 The meetings and proceedings of the Audit Committee are governed by the provisions contained in the Company’s Articles of Association for regulating the meetings and proceedings of the Board. Two members present in person or by telephone, video or other electronic means shall be a quorum for the Audit Committee meetings until the Board has otherwise determined.

- 4.2 The Audit Committee shall meet at least twice per year. Decisions shall be determined by simple majority and, in the event of a tie, the Chairman shall have the casting vote.
- 4.3 Meetings can be convened at the request of the Chairman or a member of the Audit Committee, or the Internal Auditor (Group Chief Auditor).
- 4.4 The Audit Committee shall meet with the External Auditor at least annually in the absence of management according to the requirement of the Listing Rules. Meetings can be convened at the request of the External Auditor if necessary.
- 4.5 The meeting dates of the Audit Committee shall be agreed in advance affording adequate notice for maximum participation.

## **5. Authority**

- 5.1 The Audit Committee is authorised by the Board to investigate any activity within its functions and responsibilities outlined in these terms of reference. The Audit Committee shall have full authority and unrestricted access to the directors, management, employees, agents or advisors of the Company or its subsidiaries to seek any information, documents or reports of the Group it may require. All such persons will be directed to co-operate with any request made by the Audit Committee. The Audit Committee is authorised by the Board to ask any employee of the Company or its subsidiaries to answer questions at a meeting of the Audit Committee as and when required.
- 5.2 The Audit Committee must undertake regular review to ensure that the Company is meeting the Listing Rules and the legal requirements in relation to financial reporting.
- 5.3 The Audit Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at the Company's expense, if it considers necessary.
- 5.4 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the External Auditor, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.
- 5.5 The Audit Committee must review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 5.6 The Audit Committee shall be provided with sufficient resources and training programs to perform its duties.

## **6. Power**

### **6.1 External Auditor**

To serve as a focal point for communication between the Board and the External Auditor, the Audit Committee shall:

- (a) consider and make recommendations to the Board, in relation to the appointment, re-appointment and removal of the External Auditor, oversee the selection process for new external auditor and investigate any relevant matters regarding the resignation by or removal of the External Auditor.
- (b) approve the remuneration of the External Auditor (to be negotiated by management), whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted, and approve the terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- (c) assess annually the independence and objectivity of the External Auditor taking into account relevant professional and regulatory requirements and the relationship with the External Auditor as a whole.
- (d) seek from the External Auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including but not limited to the provision of non-audit services and requirements regarding rotation of audit partners and staff.
- (e) assess annually the qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the External Auditor on their own internal quality procedures. Discuss with the External Auditor the nature and scope of the audit and reporting obligations. Approve the annual external audit plan and ensure that the annual external audit plan is consistent with the scope of the audit engagement.
- (f) review the work of the External Auditor for the purpose of preparing or issuing an audit report or related work, the scope of audit or any other services, including but not limited to, suggest to the External Auditor the performance of any supplementary audit activities deemed by the Audit Committee to be appropriate; review recent or anticipated development in accounting principles or reporting practices that may affect the scope of the audit; and discuss major anticipated audit problems, if any.
- (g) examine and review the findings of the external audit with the External Auditor, including but not limited to, any major issues and recommendations which arose during the audit; any accounting and audit judgements; the level of operational and financial errors identified during the audit; and any major disagreements with management.

- (h) review the management letter(s) issued by the External Auditor, any material queries raised by the External Auditor to management about accounting records, financial accounts or systems of control and the management's response to the External Auditor's findings and recommendations, and ensure that the Board will provide a timely response to issues raised in the External Auditor's management letter.
- (i) develop and implement policy on engaging the 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. Other than taxation services provided by the External Auditor, pre-approve all permissible audit related and non-audit services to be performed by the External Auditor and the associated fees, and monitor to ensure that the performance of these services does not impair the independence of the External Auditor in connection with their audit.
- (j) act as the key representative body for overseeing the relationship between the Company and the External Auditor.
- (k) meet with the External Auditor at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any accounting, financial and non-financial reporting or internal control matters the External Auditor may wish to raise.
- (l) agree with the Board the policy relating to the hiring of employees or former employees of the External Auditor and monitor the applications of such policy to examine whether there has been or appears to be any impairment of the independence of the External Auditor. A former partner of the External Auditor shall not act as a member of the Audit Committee for a period of 2 years commencing on the date of his ceasing to be a partner of that firm or to have any financial interest in that firm, whichever is later.

## 6.2 Financial and Non-Financial Reporting

- (a) The Audit Committee shall monitor the completeness, accuracy and fairness of the financial statements of the Company, including the annual and interim financial statements and any other formal announcement relating to its financial performance. Before submission of the relevant financial statements and reports to the Board, the Audit Committee shall review and monitor the following matters, and challenge where necessary:
  - (i) the consistency of, and any changes to, accounting policies and practices on a year on year basis;
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible, related to any significant financial reporting issues, and all material

information, estimates and judgements presented with the financial statements;

- (iii) significant adjustments resulting from the external audit;
- (iv) the going concern assumptions and any qualifications;
- (v) the adequacy of disclosure and consistency within the financial statements and with prior disclosure; and
- (vi) the compliance with any requirements of the accounting standards, the Listing Rules and other legal requirements in relation to financial reporting.

- (b) The Audit Committee shall review any significant or unusual items that are, or may need to be, reflected in financial reports and accounts, and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting, compliance and risk management functions, the Internal Auditor (Group Chief Auditor) or the External Auditor.

### 6.3 Environmental, Social and Governance Reporting

- (a) The Audit Committee shall assist the Board in providing direction on and overseeing the development and implementation of the corporate social responsibility initiatives of the Company, including but not limited to corporate sustainability initiatives, environmental protection initiatives and philanthropic and community investment initiatives.
- (b) The Audit Committee shall oversee the ESG issues of the Company, decide the ESG management approach and strategy (including the process used to evaluate, prioritise and manage material ESG-related issues and risks to the Company's businesses), and review progress made against ESG-related goals and targets with an explanation of how they relate to the Company's businesses.
- (c) The Audit Committee shall monitor the completeness, accuracy and fairness of the ESG reporting. Before submission of the relevant reports to the Board, the Audit Committee shall review the financial information disclosed in those reports.

### 6.4 Risk Management and Internal Control

The Audit Committee shall:

- (a) review financial control, risk management and internal control system;
- (b) monitor, and review with management, the Internal Auditor (Group Chief Auditor), Heads of Risk Management Department and Compliance Management Department and the External Auditor the adequacy and effectiveness of the policies and procedures regarding risk management and internal control, and review any statement concerning risk management and internal control to be included in the annual accounts

- prior to endorsement by the Board;
- (c) discuss with management the scope and quality of systems of internal control and review and examine annually that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting, risk management, internal control and internal audit functions of the Group, and their training program and budget;
  - (d) 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; and
  - (e) review the Group's financial and accounting policies and practices. Special meetings may be called at the discretion of the Chairman or the request of senior management to review significant control or financial issues.

## 6.5 Internal Audit

The Audit Committee shall:

- (a) monitor and review annually the effectiveness of the internal audit function, in particular, ensure the adequacy of resources, staff qualifications and experience, training programs and budget, ensure co-ordination between the internal audit function and the External Auditor, and ensure that the internal audit function has appropriate standing within the Company and the Group;
- (b) review and approve the annual internal audit plan and discuss with the Internal Auditor (Group Chief Auditor) any significant findings and recommendations arising from the internal audit activities;
- (c) review and monitor management's responsiveness and rectification to the findings and recommendations of the Internal Auditor (Group Chief Auditor);
- (d) meet with the Internal Auditor (Group Chief Auditor) at least once every year, to discuss their scope of duties and any issues arising from the internal audits carried out. Meet as and when the Internal Auditor (Group Chief Auditor) requests; and
- (e) review and monitor the effectiveness of the risk management and internal control systems, the internal audit function and the annual external audit plan.

## 6.6 Whistleblowing

The Audit Committee shall:

- (a) monitor the use and effectiveness of the whistleblowing policy and system for employees and other stakeholders who deal with the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matters related to the Company, including but not

limited to financial reporting, risk management, internal control, audit or other matters;

- (b) ensure that proper arrangements are in place for fair and independent investigation of these improprieties and for appropriate follow-up action;
- (c) receive, review and act upon any report regarding evidence of any material violation of securities law, breach of fiduciary duty, suspected frauds or irregularities, failures of internal controls or infringements of laws, rules and regulations, review findings of internal investigations and management's response and follow-up action.
- (d) monitor compliance with the anti-bribery and anti-corruption policy and other applicable legislation, and review the Company's policies to ensure that they remain adequate for the purposes of the fulfillment of applicable laws and regulations.

## **7. Reporting Procedures**

- 7.1 Minutes will be taken for all Audit Committee's meetings and kept by the secretary of the Audit Committee. Draft and final versions of minutes of the meetings should be sent to all Audit Committee members and other attendees of the meetings (such as the External Auditor) for their comment and records, within a reasonable time after the meetings.
- 7.2 The Chairman will present an oral report to the Board, at the next meeting of the Board following a meeting of the Audit Committee, on the activities, decisions and matters within its scope of duties, including but not limited to significant risk, compliance and internal control matters which come to its attention.
- 7.3 The minutes of the Audit Committee's meetings shall be circulated to all members of the Board by the secretary after approval by the Chairman.