

KAM HING INTERNATIONAL HOLDINGS LIMITED

錦興國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 02307)

**AUDIT COMMITTEE
TERMS OF REFERENCE**

Constitution

1. The board of directors (the “**Board**”) of Kam Hing International Holdings Limited (the “**Company**”, together with its subsidiary, the “**Group**”) resolved to establish a committee of the Board to be known as the Audit Committee (the “**Committee**”) on 25 August 2004.

Membership

2. Members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, at least one of whom shall be 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 (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and majority of the Committee shall be independent non-executive directors. A former partner of the external auditors 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 external auditors; or
 - (b) to have any financial interest in the external auditors;

whichever is later.

3. A quorum shall be three members.
4. The chairman of the Committee shall be appointed by the Board who must be an independent non-executive director. The Company secretary shall be the secretary of the Committee.

Attendance at meetings

5. The chief financial officer (if any), the head of internal audit (if any), and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least twice a year the Committee shall meet with the Company’s auditors.

Minutes

6. Full minutes of Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary of the Company). Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records within a reasonable time after the meeting.

Written Resolutions

7. Without prejudice to any requirement under the Listing Rules, written resolution may be passed and adopted by all members of the Committee.

Frequency of meetings

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

Authority

9. The Committee is authorised by the Board to investigate any activity within this terms of reference. It may exercise the following powers:
 - (a) To seek any information it requires from any employee of the Group and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Committee and to supply information and answer questions raised by the Committee;
 - (b) To monitor whether the Group's management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time laid down by the Board or a committee thereof);
 - (c) To investigate all suspected fraudulent acts involving the Group and request management to make investigation and submit reports;
 - (d) To review the Group's financial control, risk management and internal control systems;
 - (e) To review the performance of the Group's employees in the accounting and internal audit department;
 - (f) To make recommendations to the Board for the improvement of the Group's financial control, risk management and internal control systems;
 - (g) To request the Board to convene a shareholders' meeting for purposes of revoking the appointment of any director of the Company and to dismiss any employees if there is evidence showing that the relevant director and/or employee has failed to discharge his duties properly; and

- (h) To request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group.
- 10. The Committee is authorised by the Board to obtain outside, at the Company's expense, 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 Committee shall include, but shall not be limited to the following:
 - (a) To be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of 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;
 - (c) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
 - (d) To develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, "external auditors" 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
 - (e) To monitor the 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 judgments contained in them 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 the 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;
 - (f) To liaise with the Board and senior management of the Company and to meet, at least twice a year, with the Company's auditors and to consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and 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;
 - (g) To review the Company's financial controls, risk management and internal control systems;

- (h) To discuss with management the risk management and the internal control systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function) to ensure that the management has performed its duty to have effective systems;
- (i) To consider any findings of major investigations of risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (j) (where an internal audit function exists) To ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (k) To review the Group's financial and accounting policies and practices;
- (l) 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;
- (m) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) To report to the Board on the matters set out in the Corporate Governance Code in Appendix 14 of the Listing Rules;
- (o) To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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 actions;
- (p) To act as the key representative body for overseeing the Company's relationship with the external auditor;
- (q) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (r) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (s) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (t) To review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosure in the interim and annual reports of the Company;

- (u) To review and monitor the training and continuous professional development of directors and senior management of the Company; and
- (v) To consider other topics, as defined by the Board.

Report procedures

- 12. The Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.

Hong Kong, 22 March 2016