

# CHINA HANYA GROUP HOLDINGS LIMITED

## 中國瀚亞集團控股有限公司

(Formerly known as Brilliance Worldwide Holdings Limited)

(Incorporated in the Cayman Islands with limited liability)

### Terms of Reference of the Audit Committee

#### The Audit Committee

The board of Directors (the “Board”) of CHINA HANYA GROUP HOLDINGS LIMITED (the “Company”) has established a Committee of the Board known as the Audit Committee (the “Committee”) since 3 November 2010.

#### (1) Membership

- (a) The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of a minimum of three members, a majority of whom shall be Independent Non-Executive Directors (“INEDs”). At least one of the Independent Non-Executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. The constitution of the Committee shall comply with the requirement of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”) from time to time.
- (b) The Chairman of the Committee shall be appointed and removed by the Board and must be an INED.
- (c) A former partner of the Company’s existing auditing firm, who is a Non-Executive Director of the Company, 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) Meetings

- (a) The quorum of a meeting of the Committee shall be two members, one of which must be INED.
- (b) The company secretary of the Company shall be the secretary of the committee who should attend all meetings of the Committee and shall be responsible to record the minutes of meetings of the Committee.
- (c) Meetings shall be held at least twice a year. The Company’s external auditors may request a meeting if they consider that it is necessary. Additional meetings should be held at the work of the Committee demands.
- (d) Notice of meetings shall be given to all members of the Committee at least 7 days before the date of such meeting. Irrespective of the length of notice being given for any particular meeting, attendance of such particular meeting by a member of the Committee shall be deemed as a waiver of the requisite length of notice by the relevant

member.

- (e) Meetings could be held in person, by telephone, video conference or via such other simultaneous voice or voice and image transmissions or communications provided that all persons participating in the meeting are capable of hearing each other.
- (f) Within reasonable period of time after the meeting, both of the draft and final versions of minutes shall be circulated to all members of the Committee for their comment and records respectively. Full minutes of the meeting should be kept by the secretary of the Committee.
- (g) A resolution in writing signed by all members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held and may consist of several documents in like form each signed by one or more of the members of the Committee. Such resolution may be signed and circulated by fax or other electronic communications. This provision is without prejudice to any requirement under the GEM Listing Rules for a Board or Committee meeting to be held.

### (3) Attendance

- (a) If the Committee considers necessary and desirable, it may invite (a) Head of internal audit or a representative from internal audit; (b) Finance Director, Head of Accounts Department or any person occupying the same position; and (c) any Board member(s) or any other members of senior management to attend the meeting, provided that only the members of the Committee are entitled to vote at the meetings.
- (b) The Committee must meet with the Company's external auditors at least once a year, in the absence of any Executive Directors and management.

### (4) Authority

- (a) The Committee is authorized by the Board to investigate any activity within this Terms of Reference and, in order to perform its duties, is also authorized to seek any information it requires from any employees. In this connection, all employees of the Company are directed to co-operate with any request made by the Committee.
- (b) The Committee shall be provided with sufficient resources to discharge its duties. The Committee is authorized by the Board, and at the expense of the Company, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise of it considers this necessary.

### (5) Roles

The Committee oversees the integrity of the Company's financial affairs (from the effectiveness of its internal control regime to the fair presentation of the Company's financial position in its corporate communications). It is also responsible for assessing the effectiveness of the external auditors and for making recommendations on the appointment of the external auditors.

## (6) Powers and Duties

The Committee shall have the following powers and duties:

### Relationship with the Company's external auditors

- (a) to be primarily responsible for making 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 that auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectively and the effectiveness of the audit process in accordance with applicable standards;
- (c) in furtherance of sub-paragraph (b) above,
  - (i) to consider all relationships between the Company and the external audit firm (including non-audit services);
  - (ii) to obtain from the external audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
  - (iii) to 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 other matters the external auditor may wish to raise;
- (d) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (e) 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. 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;
- (f) to ensure that the provision of non-audit services as stated in sub-paragraph (e) above by the external auditor does not impair the external auditor's independence and objectivity and to consider:
  - (i) the suitability of the external auditor for provision of the non-audit services including its skills, relevant experience, the nature of the non-audit services and the related fee levels and fee levels individually and in total relative to the audit firm;
  - (ii) the safeguard being in place by the external auditor to avoid any threat to the objectivity and independence of the audit because the external auditor provides non-audit services; and
  - (iii) the criteria for compensation of the individuals performing the audit;

- (g) to consider agreeing with the Board the Company's policies on hiring employees or former employees of the external auditors and monitoring the application of these policies so as to ensure that the external auditor's judgment or independence for the audit has not been impaired or has not appeared to be impaired;

#### Review of financial information of the Company

- (h) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year report and 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 GEM Listing Rules and legal requirements in relation to financial reporting;
- (i) In regard to sub-paragraph (h) above,
  - (i) Members of the Committee should liaise with the Board, senior management\*, the person appointed as the Company's qualified accountant and the Committee must meet with the Company's external auditors at least twice a year; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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 functions, compliance officer or external auditors;

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

- (j) to review the Company's financial controls, risk management and internal control systems;
- (k) 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 programs and budget of the Company's accounting and financial reporting function;
- (l) to consider major investigations 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;

- (m) 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;
- (n) to review the Group's financial and accounting policies and practices;
- (o) to review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of control and management's response;
- (p) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (q) 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (r) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (s) to report to the Board on all matters in this Terms of Reference;
- (t) to consider other topics, as defined by the Board; and
- (u) to report to the Board of any other significant decisions and recommendations of the Committee which ought properly to be brought to the attention of the Board;

#### *Oversight of Risk Management Functions*

- (v) advise the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues including corporate actions and proposed strategic transactions such as mergers, acquisitions and disposals;
- (w) oversee risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business and strategic risks faced by the Group and amend and supplement this from time to time;
- (x) approve the Group's risk policies and risk tolerances;

- (y) consider emerging risks relating to the Group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively;
- (z) review risk reports and breaches of risk tolerances and policies;
- (aa) review and assess the effectiveness of the Group's risk control/mitigation tools including the enterprise risk management programme, the risk management systems, the internal audit function relating to risk management and the Group's contingency plans;
- (bb) review the Group's capital adequacy and solvency levels; and
- (cc) monitor stress testing results of the Group's key risk exposures;

*Corporate Governance Functions*

- (dd) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;
- (ee) to review and monitor the training and continuous professional development of directors and senior management;
- (ff) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (gg) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (hh) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

(7) Reporting Procedure

- (a) the Committee should report to the Board on a regular basis; and
- (b) the secretary shall circulate the minutes of meetings after each meeting and reports of the Committee to all members of the Board.

(8) Publication of this Terms of Reference

This Terms of Reference explaining its role and the authority delegated to it by the Board is posted on the HKEx website and the website of the Company.

*\* "Senior Management" refers to the same persons referred to in the Company's annual report and required to be disclosed under Rule 18.39 of the GEM Listing Rules.*