



# **JBB BUILDERS INTERNATIONAL LIMITED**

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

**(Stock Code: 1903)**

## **TERMS OF REFERENCE – AUDIT COMMITTEE**

The board of directors (the “**Board**”) of JBB Builders International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has established a committee of the Board to be known as the Audit Committee (the “**Audit Committee**”) with its constitution and particular duties set out below:

### **1. Membership**

- 1.1 Members of the Audit Committee should be appointed by the Board and the Audit Committee should comprise of non-executive directors only.
- 1.2 The Audit Committee must 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.
- 1.3 The Board shall appoint the chairman of the Audit Committee. The chairman must be an independent non-executive director of the Company.
- 1.4 The majority of the Audit Committee members shall be independent non-executive directors of the Company.
- 1.5 A former partner of the Company’s existing auditing firm shall not act as a member of the Audit Committee until two years after the commencement of the later of the date of the person ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

### **2. Company secretary**

- 2.1 The company secretary of the Company shall be the secretary of the Audit Committee.
- 2.2 The Audit Committee may from time to time appoint any other person with the appropriate qualification and experience to act as the secretary of the Audit Committee.

### **3. Meetings**

- 3.1 Meeting shall be held at least twice per year. The Audit Committee members may also call any meetings at any time when necessary or desirable.
- 3.2 Upon invitation by the Audit Committee, the Chairman of the Board and/or the general manager or the chief executive, external consultant and other Board members may attend all or any of the meetings.
- 3.3 Unless otherwise agreed or waived, notice of each meeting confirming the venue, time and date shall be sent to each member of the Audit Committee, and to any other person required to attend in relation to all regular meetings of the Audit Committee, at least 5 days before the date of the meeting; and in relation to continued meetings held within 5 days, no prior notice is required. Notwithstanding the notification period, attendance of the member of the Audit Committee at the meeting would deem to be treated as the waiver of the required notification requirement.
- 3.4 The quorum of the Audit Committee meeting shall be two members, one of whom must be an independent non-executive director.
- 3.5 The members of the Audit Committee may attend meetings either in person, by telephone or through other electronic means of communication (which are available to all attended parties).
- 3.6 Resolutions of the Audit Committee at any meetings shall be passed with a simple majority of votes. In the case of an equality of votes, the Chairman of the Audit Committee shall have the casting vote.
- 3.7 Resolutions signed by all members of the Audit Committee will be treated valid and effective as if it is passed in the meeting duly convened and held by the Audit Committee.
- 3.8 Minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee and shall be available for inspection by any member of the Audit Committee and/or any director of the Company at any reasonable time on reasonable notice. Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comments and records within a reasonable time after the meeting. Once all minutes have been finalised, the secretary of the Audit Committee shall circulate the minutes and reports of the Audit Committee to all members of the Board.

3.9 The chairman of the Audit Committee shall attend the annual general meetings of the Company and be prepared to respond to any shareholder questions on the Audit Committee's activities. If the chairman of the Audit Committee is unable to attend, a member of the Audit Committee shall attend the annual general meeting of the Company. Such person shall be prepared to respond to any shareholder questions on the Audit Committee's activities.

#### **4. Authority**

4.1 The Audit Committee is authorised by the Board to inspect all accounts, reports and records of the Company.

4.2 In order to fulfill its duties, the Audit Committee is eligible to request the management of the Company to provide any figures related to the financial status of the Company, its subsidiaries, joint ventures and associates.

4.3 The Audit Committee is authorised by the Board when necessary to seek any financial information it requires from any employee of the Group, to require any of them to prepare and supply financial information and answer questions raised by the Audit Committee.

4.4 The Audit Committee is authorised by the Board when necessary to obtain outside legal or other independent professional advice in connection with its duties and responsibilities at the Company's expense.

4.5 The Audit Committee shall have access to sufficient resources in order to perform its duties and responsibilities.

#### ***Duties and responsibilities***

The duties and responsibilities of the Audit Committee shall include, but shall not be limited to the following:

#### ***Relationship with the external auditor of the Company***

4.6 to 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;

4.7 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

4.8 to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- 4.9 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;
- 4.10 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

***Review of the Company’s financial information***

- 4.11 to monitor the integrity of financial statements of the Company and the Company’s annual report and accounts, and half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein. In reviewing these reports before submission to the Board, focusing particularly on:
- a. any changes in accounting policies and practices;
  - b. major judgemental areas;
  - c. significant adjustments resulting from the audit;
  - d. going concern assumptions and any qualifications;
  - e. compliance with accounting standards; and
  - f. compliance with the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and legal requirements in relation to financial reporting;
- 4.12 regarding 4.11 above:
- a. the members should liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the external auditor of the Company; and
  - b. the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the 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;

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

- 4.13 to review the Company's financial controls, internal control and risk management systems;
- 4.14 to discuss the risk management and internal control systems with management and to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- 4.15 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;
- 4.16. 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;
- 4.17 to review the Group's financial and accounting policies and practices;
- 4.18 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;
- 4.19 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 4.20 to report to the Board on the matters set out in the Corporate Governance Code in Appendix C1 to the Listing Rules;
- 4.21 to consider other topics, as defined by the Board;

***Others***

- 4.22 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;
- 4.23 to act as the key representative body for overseeing the Company's relations with the external auditor;

- 4.24 to establish a whistleblowing policy and system for employees to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company;
- 4.25. to establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations; and
- 4.26 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board.

## **5. Reporting responsibilities**

- 5.1 After each meeting, the Audit Committee shall report formally to the Board on all matters within its duties and responsibilities within a reasonable time.
- 5.2 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should 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 different view.
- 5.3 The Audit Committee should make available these terms of reference by including them on the Stock Exchange's website and the Company's website.