



**Shanghai Jin Jiang International Hotels (Group) Company Limited**  
**上海錦江國際酒店(集團)股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 02006)**

**TERMS OF REFERENCE FOR AUDIT COMMITTEE**  
**UNDER THE BOARD OF DIRECTORS**

**Chapter 1 Legal Basis for the Establishment of Audit Committee**

**Rule 1** According to Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Listing Rules"), the Company shall establish the audit committee (the "Audit Committee"). The Audit Committee is a committee established under the board of directors of the Company (the "Board"), which is mainly responsible for the examination and supervision of the procedures for financial reporting and internal control of the Company. The operation of the Audit Committee shall comply with "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants in February 2002.

**Chapter 2 Composition**

**Rule 2** The members of the Audit Committee shall be elected and appointed by the Board, who shall have a term of office consistent with that of the Board. The member of the Audit Committee can be re-elected.

**Rule 3** All members of the Audit Committee shall be non-executive directors of the Company, of which, at least one member shall be an independent non-executive director who possesses the appropriate accounting or relevant financial management expertise satisfying the requirements under Rule 3.10(2) of the Listing Rules. The Audit Committee shall comprise at least three members, and the majority of whom shall be independent non-executive directors.

**Rule 4** The Audit Committee shall have a chairman, who shall be an independent non-executive director and elected by the members of the Audit Committee.

**Rule 5** The Audit Committee shall have a secretary, who shall be appointed by the chairman of the Audit Committee.

**Rule 6** Apart from directors' remuneration, members of the Audit Committee shall not, whether directly or indirectly, receive any consultation fee, advisory fee or other remuneration from the Company.

**Rule 7** A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 1 year from the date of his ceasing (whichever is later):

- (a) to be a partner of the auditing firm; or
- (b) to have any financial interest in the auditing firm.

### **Chapter 3 Attendants of the Meeting of the Audit Committee**

**Rule 8** All members of the Audit Committee, qualified accountants of the Company, financial manager (in Mainland China), the head of internal audit department and representatives of the external auditor shall be entitled to attend the meeting of the Audit Committee. Other members of the Board are also entitled to attend the meeting, but the Audit Committee shall convene at least one meeting without the presence of any executive director of the Company annually.

**Rule 9** The secretary of the Audit Committee is entitled to attend the meeting.

### **Chapter 4 Minutes**

**Rule 10** Full minutes of Audit Committee meetings should be kept by the secretary of the Board/company secretary. Minutes of Audit Committee meetings should be kept by secretary of the Board/company secretary and should be open for inspection at any reasonable time on reasonable notice by any director. Minutes of Audit Committee meetings should record in sufficient detail the matters considered by the board and decisions reached, including any concerns raised by directors or dissenting views expressed.

### **Chapter 5 Frequency of Meetings**

**Rule 11** The Audit Committee shall hold at least two meetings annually. The Audit Committee shall convene at least two meetings with the external auditor of the Company annually.

### **Chapter 6 Authorities of the Audit Committee**

**Rule 12** The Audit Committee shall possess the necessary fees, other resources and relevant power for the performance of its duties, including the power of choosing, employing and dismissing any special or independent legal advisors, accountants or other experts and advisors based on its needs, as well as the power of approving the fees and other terms of engagement of the above advisors without the approval of the Board or management.

**Rule 13** The Audit Committee may obtain any necessary information from any employees of the Company, and all employees shall co-operate with the Audit Committee upon its request.

**Rule 14** The Audit Committee may seek for external legal or other independent and professional advices, and may invite external parties with relevant experience and professional knowledge to attend its meeting whenever necessary. The Company shall provide the necessary fees and other resources to the Audit Committee for its performance of duties.

### **Chapter 7 Duties of the Audit Committee**

**Rule 15** The duties of the Audit Committee are:

- (a) to be responsible for making recommendations to the Board on the appointment, reappointment, removal and discontinue 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 of that auditor and propose any matters required to be voted in the general meeting to the general meeting through the Board for final consideration and approval. The Committee is also responsible for monitoring the work of external auditors, including reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.
- (b) To approve in advance all audit and non-audit services provided by the independent auditor or formulate appropriate procedures for such advanced approval, and to consider whether the independence of the external auditor would be affected by the provision of non-audit service to the Company by such external auditor. The Audit Committee may in its discretion authorize one or more members to make advanced approval on any audit or non-audit services to be performed by the external auditor, but the above approval shall be submitted to the next meeting of the Audit Committee for its approval.
- (c) to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, the "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) and report to the Board, identifying and making recommendations on any action or improvement that must be taken and make recommendations.
- (d) to request the external auditor to provide the report on the relevant audited annual financial statements of the Company for any audit on a timely basis. The report shall include the followings:
  - (i) all critical accounting policies adopted and their application;
  - (ii) all other processing method which have been discussed with the management and complies with the requirements of applicable accounting standards, the result of adopting such other disclosures and processing methods, and the processing method which the external auditor thinks fit;

- (iii) any important written communication between the external auditor and management personnel, such as any letter to the management and list of disagreement.
- (e) to monitor the integrity of the financial statements of the Company, and the annual report and account as well as interim report of the Company, and to review significant financial reporting judgments contained the statements and reports; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit procedure in accordance with appropriate standards; to discuss with the external auditor on the nature and scope of audit and the relevant reporting obligations before the commencement of audit procedures, if more than one auditing firm participate in the work, co-ordination of the work among all firms shall be ensured; to discuss with the management on the time and procedures for changing major partner in charge, consenting partner and other partners actively involved in the auditing work of the Company of the auditing firm.
- (f) To monitor the integrity of the annual and interim financial statements and reports of the Company before submitting relevant statements and reports to the Board, and to review significant financial reporting judgments contained in the statements and reports, particularly the followings:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments to be made after auditing the account;
  - (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.
- (g) Regarding paragraph (f) above:
  - (i) Members of the Audit Committee shall liaise with the Board and senior management as well as the person appointed as the Company's qualified accountant. The Audit Committee shall meet at least twice a year with the auditor of the Company; and
  - (ii) The Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the annual and interim reports and accounts of the Company, and give due consideration to any matters raised by the Company's qualified accountant, compliance officer or auditor.
- (h) to review the Company's financial controls, internal control and risk management systems.

- (i) to discuss the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system.
- (j) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these investigation findings.
- (k) to review internal audit plan 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.
- (l) to review the group's financial and accounting policies and practices.
- (m) 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.
- (n) to ensure that the Board will provides a timely response to the issues raised in the external auditors' management letter.
- (o) to discuss any question raised subsequent to the audit of the interim and annual accounts and the matters with doubts so arisen, as well as matters which the auditor wishes to discuss (if necessary, conducted in absence of senior management).
- (p) to review the Company's statement on internal control system prior to the submission to the Board for endorsement (if such statement is included in the annual report).
- (q) to consider material findings of internal investigation and responses of senior management.
- (r) to make inquiries to the chief executive officer of the Company, qualified accountant of the Company and financial manager (in Mainland) on the followings: whether the design or operation of internal control exists material deficiencies leading to any adverse impact on the Company's ability on recording, processing, concluding and reporting financial information, any major weakness in internal control, and fraud involving senior management or other employees who play a significant role in the internal control of the Company (whether material or not).
- (s) to ensure the Company has established suitable channels for employees to report or raise any concerns, in confidence, about possible inappropriate in financial reporting, internal control or other matter, and review relevant arrangements from time to time, which are in place for fair and independent investigation of these matters and for appropriate follow-up action.

- (t) to ensure, in case the employee of an external auditing firm has participated in the auditing of the Company for an auditing year, that the Company shall not employ such person to take any responsibility for the Company's financial reporting in the next auditing year.
- (u) to act as the key representative body for overseeing the Company's relations with the external auditor.
- (v) the Audit Committee shall to the Board on report its decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.
- (w) to consider other matters authorised or defined by the Board.

### **Chapter 8 Reporting Procedures**

- Rule 16** The secretary of the Audit Committee shall, within a reasonable period of time after the meeting, send the first draft and final draft of the minutes to all of its members for their comments and records respectively.
- Rule 17** The chairman of the Audit Committee (in his absence, another member of the Audit Committee or his duly appointed delegate), shall, upon the invitation of the chairman of the Board, attend the annual general meeting and answer questions at such meeting.

### **Chapter 9 Supplementary Provisions**

- Rule 18** These terms of reference shall come into effect on the date of approval by the Board.
- Rule 19** Any matters not covered by these terms of reference shall be implemented in accordance with relevant laws, regulations and the Company's articles of association. Where there is a conflict between these terms of reference and laws and regulations to be promulgated or the Company's articles of association as amended in accordance with legitimate procedures in the future, these terms of reference shall be implemented in accordance with relevant laws, regulations and the Company's articles of association, and corresponding amendments to these terms of reference must be submitted to the Board promptly for consideration and approval.
- Rule 20** The right to interpret these terms of reference shall be vested in the Board.
- Rule 21** These terms of reference shall be published on the websites of the Company and the Stock Exchange of Hong Kong Limited in accordance with the requirements of the Listing Rules.

*Note:* If there is any inconsistency between the English and Chinese versions of these terms of reference, the Chinese version shall prevail.