



中國港橋控股有限公司

China HKBridge Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2323)**

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Terms of reference of the Audit Committee (the “**Committee**”)  
as governed by the Board (the “**Board**”) of Directors (the “**Directors**”) of the Company

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## 1. CONSTITUTION

- 1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 30 May 2002.
- 1.2 These terms of reference had been amended by the Board.

## 2. MEMBERSHIP

- 2.1 Members of the Committee (the “**Committee Members**”) must be appointed by the Board from amongst the non-executive Directors only and shall consist of not less than three members, the majority of whom must be independent non-executive Directors and at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.
- 2.2 A former partner of the Company’s existing auditing firm should be prohibited from acting as a Committee Member 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.
- 2.3 The chairman of the Committee (the “**Chairman**”) must be appointed by the Board. The Chairman must be an independent non-executive Director.
- 2.4 The appointment of the Committee Members may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.
- 2.5 A Committee Member may not appoint any alternate.

### **3. SECRETARY**

3.1 The secretary of the Committee (the “**Secretary**”) (who should normally be the company secretary of the Company) shall be appointed by the Board from time to time.

### **4. PROCEEDINGS OF THE COMMITTEE**

#### **4.1 Notice**

Notice of any Committee meetings has to be given not less than three clear days (including non-working days) prior to such meeting being held unless all Committee Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Committee Member shall be deemed waiver of the requisite length of notice by the Committee Member. Notice of any re-convention of adjourned meetings is not required if re-convention is for less than 14 days from the adjourned meeting.

A Committee Member may and, on the request of a Committee Member, the Secretary shall, at any time summon a Committee meeting.

Notice shall be given to each Committee Member in person, orally or in writing or by telephone or by telex or telegram or facsimile transmission or email at the telephone or facsimile or address from time to time notified to the secretary by such Committee Member or in such other manner as the Committee Members may from time to time determine.

Any notice given orally shall be confirmed in writing. Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the Committee Members for the purposes of the meeting.

For regular Committee meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all Committee Members in a timely manner and at least three days before the intended date of a Committee meeting (or other agreed period).

#### **4.2 Quorum**

The quorum of the Committee meeting shall be two Committee Members.

Committee meetings could be held in person, by telephone or by video conference. Committee Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.

If within thirty minutes from the time appointed for a meeting, a quorum is not present, upon majority agreement by the Committee Members present, the meeting shall stand adjourned. The Committee secretary or any Committee Member can issue the notice for adjourned meeting. If within ten minutes from the time appointed for the adjourned meeting, a quorum is not present, the Committee Members present shall duly constitute a quorum and shall be entitled to exercise all the powers conferred upon the Committee.

#### **4.3 Chairman**

The Chairman shall preside as the chairman of a Committee meeting. If within fifteen minutes from the time appointed for the meeting, the Chairman is not present, other Committee Members present shall choose someone from their number to be the chairman of the meeting.

#### **4.4 Vote**

Each Committee Member present in a meeting shall have one vote. All resolutions passed in the meeting shall be by majority votes in favour thereof. If the votes for and against a resolution are equal, the chairman of the meeting shall have a casting vote.

#### **4.5 Attendees of meetings**

The financial controller of the Group (or any officer(s) assuming the relevant functions but having a different designation) and representative(s) of the external auditor shall normally attend meetings. Other Board members, external advisers and other persons shall also have the right of attendance the whole or any part of the Committee meeting at the invitation of the Committee Members. However, the Committee Members should liaise with the Board and the Company's management, and the Committee must meet, at least twice a year, with the Company's external auditor.

#### **4.6 Number of meetings**

Meetings shall be held at least once in a half year and at least twice a year to consider the budget, revised budget and interim or annual report prepared by the Board. The external auditor may request the Chairman to convene a Committee meeting, if they consider that one is necessary.

#### **4.7 Written resolutions**

Written resolutions may be passed by all Committee Members in writing. It shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

## 5. AUTHORITY OF THE COMMITTEE

5.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (collectively, the “**Group**”) and any professional advisers (including auditor), to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- (b) to monitor whether the Group’s management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code provisions (the “**Code**”) (including the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Exchange**”) (the “**Listing Rules**”), Listing Agreement and other rules and regulations from time to time determined by the Board or a committee hereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request the Group’s management to make investigation and submit reports;
- (d) to review the Group’s risk management and internal control procedures and systems;
- (e) to review the performance of the Group’s employees in the accounting and internal audit department;
- (f) to evaluate and make recommendations to the Board for the improvement of the Group’s risk management and internal control procedures and systems;
- (g) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the external auditor of the Group;
- (h) to obtain outside legal or other independent professional advice and to secure the attendance of the abovesaid persons with relevant experience and expertise, if it considers this necessary; and
- (i) where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

## 6. DUTIES

6.1 The duties of the Committee shall be:

### Relationship with the Company's external auditor

- (a) 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;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) 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.

### Review of the Company's financial information

- (e) to monitor integrity of the Company's financial statements and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should 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;

- (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
  - (vii) the fairness and reasonableness of any connected transaction(s) or continuing connected transaction(s) and the impact of such transaction(s) on the profitability and benefit of the Group and to the interest of the shareholders of the Company;
  - (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether such disclosures give a true and fair view of the Group's financial conditions;
  - (ix) any significant or unusual items that are, or may need to be, reflected in the report 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 function, compliance officer or auditor;
  - (x) the cashflow position of the Group; and
  - (xi) providing advices and comments thereon to the Board;
- (f) to discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of the Group's management where necessary);

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

- (g) to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- (h) to discuss the Company's risk management and internal control systems with the Company's management to ensure that the management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (i) 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 responses to these findings;

- (j) 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;
- (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 review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (p) to recommend the establishment of a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company;
- (q) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports (if necessary);
- (r) to consider the appointment of any person (whose appointment will not violate the Listing Rules) to be a Committee Member either to fill a casual vacancy or as an additional Committee Member or dismissal of any of them;
- (s) to have the chairman of the Committee or any Committee Member or their delegate(s) being appointed attending the Company's annual general meeting and be prepared to respond to the Company's shareholders' questions on the Committee's activities and their responsibilities.
- (t) to report to the Board on the matters in this Code; and
- (u) to consider other topics, as defined by the Board.

6.2 The Committee should be provided with sufficient resources to perform its duties.

## **7. VETO RIGHTS OF THE COMMITTEE**

7.1 The Committee has the following veto rights. The Group cannot implement any of the following matters which has been vetoed by the Committee:

- (a) to approve any connected transaction or continuing connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction or continuing connected transaction is made conditional on the obtaining of the approval of the Company's independent non-executive Directors and its independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or the internal audit manager.

## **8. REPORTING PROCEDURES**

8.1 The Secretary shall circulate the minutes of meetings and all written resolutions of the Committee to all Committee Members and members of the Board (only upon their request).

## **9. MINUTES**

9.1 Full minutes of the Committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the Secretary).

9.2 Draft and final versions of minutes of the Committee meetings should be sent to all Committee Members for their comment and records within a reasonable time after the meeting.

## **10. CONTINUING APPLICATION OF THE BYE-LAWS OF THE COMPANY**

10.1 The bye-laws of the Company (the "**Bye-laws**") regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

## **11. POWERS OF THE BOARD**

11.1 The Board may, subject to compliance with the Bye-laws and the Listing Rules (including the Code), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

## **12. PUBLICATION OF THESE TERMS OF REFERENCE**

12.1 A copy of these Terms of Reference explaining its role and the authority delegated to the Committee by the Board will be made available to any person without charge upon request and be posted on the Exchange's website and the Company's website.