



漢港控股

SINO HARBOUR HOLDINGS

SINO HARBOUR HOLDINGS GROUP LIMITED

漢港控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1663)

**AUDIT COMMITTEE
TERMS OF REFERENCE**

Constitution

1. The board of directors (the “**Board**”) of Sino Harbour Holdings Group Limited (the “**Company**”) which together with its subsidiaries, the “**Group**”) has resolved to establish a committee of the Board to be known as the Audit Committee (the “**Committee**”) at a meeting held on 4 July 2011.

Membership and Quorum

2. 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, a majority of whom shall be independent non-executive directors of the Company and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). A quorum shall be two members. The initial members of the Committee comprise three independent non-executive directors of the Company.
3. The chairman of the Committee shall be appointed by the Board and must be an independent non-executive director of the Company.
4. A former partner of the Company’s existing auditing firm 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.
5. In the case of an equality of votes at a meeting of the Committee, the chairman of the meeting shall have the casting vote.

Responsibility

6. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determine from time to time.
7. The Committee is to assist the board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group, and as to the adequacy of the external and internal audits.

Authority and Duties

8. The authority of the Committee is derived from the Board, therefore the Committee is obliged to report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.
9. The Committee is authorized by the Board to investigate any activity within the scope of these terms of reference and the Company shall provide the Committee with sufficient resources to discharge its duties. It is authorized to seek any information it requires from any employee of the Group and members of the Board in order to perform its duties and all employees of the Group and members of the Board are directed to co-operate with any request made by the Committee within the scope of these terms of reference.
10. The Committee has the authority to exercise the following powers:
 - (a) 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) and report to the Board should such infringement are of sufficient importance to warrant the attention of the Board;
 - (b) to investigate all suspected fraudulent acts involving the Group and report to the Board should such infringement are of sufficient importance to warrant the attention of the Board and request the management of the Group to make investigation and submit reports;
 - (c) to review the Group's internal control procedures and system;
 - (d) to review the performance of the Group's employees in the accounting and internal audit department;
 - (e) to make recommendations to the Board for the improvement of the Group's internal control procedures and system;
 - (f) to request the Board to convene a shareholders' meeting for the purposes of revoking the appointment of any director and to dismiss any employee if there is evidence showing that the relevant director and/or employee has failed to discharge his/her duties properly;
 - (g) to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group; and
 - (h) subject to prior approval by the Board, to obtain outside legal or other independent professional advice and to secure their attendance in the Committee's meetings where necessary.
11. The Committee shall have the following duties:

Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve and (periodically) review the remuneration and terms of engagement of the external auditor and any questions of its resignation or dismissal;
- (b) to review and monitor the independence and objectivity of the external auditor. The Committee shall:
 - i. consider the relationship between the Company and/or the directors of the Company and the external auditors;
 - ii. seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding rotation of audit partners and staff; and
 - iii. meet with the external auditor, at least once a year, in the absence of the management of the Group, to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the external auditors or the Committee may wish to raise;
- (c) to review and monitor the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the external auditors the nature and the scope of the audit and reporting obligations before the commencement of the audit;
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services. If a compelling reason exists to engage the external auditor due to their unique expertise in a particular area, prior approval of the Committee is required. 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;
- (e) evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; inquire the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (f) to report to the Board and to identify and make recommendations on any matters where action or improvement is needed;
- (g) to discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit-firm is involved;
- (h) to review the external auditors' management letter and management's response;
- (i) to discuss problems and reservations arising from the quarterly (if any), interim and final audits any matters the external auditors may wish to discuss (in the absence of the Board and other employees of the Group at the discretion of the Committee where necessary);

Review of financial information of the Group

- (j) to monitor the integrity of financial statements and the annual report and accounts, half-year report and quarterly reports (if any), and to review significant financial reporting judgments contained in them. In reviewing the Group's reports and accounts 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 the 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. any connected transactions and their impact on the profitability of the Group;
 - viii. items requiring disclosure; and
 - ix. the cash flow position;
- (k) in respect of (j) above, the members of the Committee shall liaise with the Board and the management of the Group and the Committee must meet at least twice a year with the Company's auditors;
- (l) in respect of (j) above, 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 function, compliance officer or auditors;
- (m) to review the draft representation letter prior to approval by the Board
- (n) in reviewing the financial statements and reports of the Group, the Committee may rely on the expertise and information provided by the external auditors and the management of the Group;

Oversight of the Group's financial reporting system, risk management and internal control system

- (o) to review the Group's financial controls, risk management and internal control systems;
- (p) to discuss the risk management and internal control system with management of the Group to ensure that the management of the Group has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function and to rectify any weaknesses that may be revealed from time to time;
- (q) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on the Committee's own initiative and the Group's management's response to these findings;
- (r) 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;
- (s) to review and familiarize with the Group's financial and accounting policies and practices applied by the Group in preparing its financial statements;
- (t) to review the external auditor's management letter, any material queries raised by the auditor to the management of the Group about accounting records, financial accounts or systems of control and management response;
- (u) to ensure the Board will provide a timely response to issues raised in the external auditors' management letter;

Other Duties

- (v) to review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (w) to apprise the board of significant developments in the course of performing the above duties;
- (x) to recommend to the Board any appropriate extensions to, or changes in, the duties of the Committee;
- (y) to review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- (z) to report to the Board on the matters set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules;
- (aa) to consider other topics and review other documents as may be reasonably requested by the Board from time to time;
- (bb) to consider the Board's recommendation of the appointment of any person to be a Committee member, a company secretary, auditors and accounting staff either to fill a casual vacancy or as an additional Committee member, company secretary, auditors and accounting staff or the Board's recommendation for the dismissal of any of them;
- (cc) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (dd) to review and monitor the training and continuous professional development of directors and senior management;
- (ee) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (ff) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (gg) to review the Company's compliance with the Corporate Governance Code and Corporate Governance Report issued by the Stock Exchange of Hong Kong (Appendix 14) of the Rules Governing the Listing of Securities on The Stock Exchange Listing Rules issued by the Stock Exchange of Hong Kong.

Consultation

12. The Committee shall, at the expenses of the Company, have access to professional advice if considered necessary.

Secretary

13. The secretary of the Company (or his/her delegate) shall be the secretary of the Committee (the "**Secretary**").

Meetings

14. The Committee shall meet as and when necessary or as requested by any Committee member. The Committee shall meet not less than four times a year to consider the budget, revised budget and yearly, half yearly and quarterly report (if any) prepared by the Board. However, at least once a year the Committee shall meet with the external auditors in the absence of any executive directors of the Company and other staff member of the Group unless otherwise requested by the Committee.
15. The financial controller, the head of internal audit of the Company and a representative of the external auditors shall normally attend meetings of the Committee.
16. Relevant notice, including an agenda and accompanying papers, shall be sent in full to all member of the Committee in a timely manner and at least 7 days before the intended date of the meeting of the Committee (or such other period as agreed by its members).
17. The meetings and proceedings of the Committee are governed by the provision of the Bye-laws of the Company for regulating the meetings and proceedings of the Board so far as the same are applicable.

Disagreement as to appointment of external auditors

18. In the event the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee shall provide a statement explaining its recommendations to the Company and the reasons why the Board has taken a different view for inclusion in the Corporate Governance Code and Corporate Governance Report issued by the Company in accordance with Appendix 14 of the Listing Rules.

Reporting Procedures

19. The Secretary shall keep full minutes of each Committee meeting. Draft and final versions of minutes of the meetings shall be sent to all Committee members for their comments and records within a reasonable time after such meeting.
20. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, unless a conflict of interest exists or for the reasons mentioned in paragraph 8.
21. 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.

Adopted by the Board on 17 June 2016.