

# XINGHUA PORT HOLDINGS LTD.

## 興華港口控股有限公司\*

*(Incorporated in the Republic of Singapore with limited liability)*

**Stock Code: 1990**

**(the “Company”)**

### TERMS OF REFERENCE OF AUDIT COMMITTEE

#### INTRODUCTION

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), every issuer must establish an audit committee comprising non-executive directors only. The board of directors of the issuer must approve and provide written terms of reference for the audit committee which clearly establish the committee’s authority and duties.

The Company’s audit committee (the “**Committee**”) was established and the terms of reference of the Committee were adopted on 1 December 2017 to reflect the requirements set out in the Listing Rules. The terms of reference was subsequently updated on 13 February 2019 in accordance to the amended Corporate Governance code provision C3.2.

#### TERMS OF REFERENCE

##### 1. Composition

- 1.1 The Committee shall be appointed by the board of directors (the “**Board**”) and must consist of a minimum of three members (the “**Members**”).
- 1.2 Membership shall be confined to non-executive directors, the majority of which must be independent non-executive directors, and at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules (including any amendment thereto).
- 1.3 The chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.
- 1.4 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 two years from the later of:
  - (a) the date of his/her ceasing to be a partner of the Firm; or
  - (b) the date of his/her ceasing to have any financial interest in the firm.

## **2. Secretary**

- 2.1 The Company Secretary or his/her delegate shall be the secretary of the Committee (the “**Secretary**”).
- 2.2 The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

## **3. Attendance at Meetings**

- 3.1 At the invitation of the Committee, the chairman of the Board, external advisers and other persons with relevant knowledge, experience and expertise (including without limitation, staff responsible for accounting and financial reporting functions) may attend all or part of any meetings of the Committee (the “**Meetings**”).
- 3.2 At least twice a year the Committee shall meet with the external auditor without the presence of the executive Board members.
- 3.3 Only Members are entitled to vote at the Meetings.

## **4. Meetings**

- 4.1 The Committee shall meet at least twice every year. The Chairman of the Committee or the external auditor of the Company may request through notice that a meeting be held if it considers it necessary.
- 4.2 Notice of Meetings shall be given to all Members at least seven days before a Meeting to be held, unless all Members unanimously waive such notice or consent to a short notice. Notice of Meeting may be given in writing or verbally (whether by telephone or otherwise) or in such other manner as the Board may from time to time determine.
- 4.3 The quorum of a Meeting shall be two Members.
- 4.4 Meetings can be held in person, by telephone or by video conference. Members may participate in a Meeting by means of a telephone conference or similar communications equipment by means of which all persons participating in the Meeting are capable of hearing each other.
- 4.5 Resolutions of the Committee at any Meetings shall be passed by a majority of votes of the Members present.
- 4.6 A resolution in writing signed by all Members shall be as valid and effectual as if it had been passed at a Meeting duly convened and held

and may consist of several documents in like form each signed by one or more of the Members.

- 4.7 Full minutes or written resolutions shall be kept by the Secretary. Draft and final versions of minutes shall be circulated to all Members for their comment and records respectively within a reasonable period of time after the Meeting.
- 4.8 The Constitution of the Company regarding the meetings and proceedings of the directors shall apply to the Meetings and proceedings of the Committee so far as the same are applicable and are not inconsistent with the provisions in these terms of reference.

## **5. Role, Responsibilities and Powers**

The Committee shall have the following role, responsibilities and powers:

### *Relationship with the Company's External Auditor*

- 5.1 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;
- 5.2 to review and monitor the external auditor's independence and objectivity by:
  - (a) considering all relationships between the Company and the audit firm;
  - (b) obtain from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those of rotation of audit partners and staff; and
  - (c) meeting 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;
- 5.3 to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

- 5.4 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 5.5 to be primarily responsible for making recommendations to the Board for the approval of any non-audit services provided to the Company by the external auditor. The Committee should ensure that the provision of such non-audit services would not impair the external auditor’s independence or objectivity taking into account the following matters:
- (a) Whether the skills and experience of the audit firm make it a suitable supplier of such non-audit services;
  - (b) Whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the external auditor notwithstanding its proposed provision of the non-audit services;
  - (c) The nature of the non-audit services, the related fee levels and the individual and aggregate fee levels relative to the audit firm; and
  - (d) The criteria for determining compensation of the individuals performing the nonaudit services;
- 5.6 to act as the key representative body for overseeing the Company’s relations with the external auditor;
- 5.7 to set policies on hiring employees or former employees of the external auditors and monitoring the application of these policies.

*Review of the Company’s financial information*

- 5.8 to monitor integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, 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:
- (a) financial reporting and accounting policies and practices and any changes in these policies and practices;
  - (b) major judgmental areas;

- (c) significant adjustments resulting from audit;
- (d) the going concern assumptions and any qualifications;
- (e) compliance with accounting standards; and
- (f) compliance with the Listing Rules, other applicable rules and legal requirements in relation to financial reporting;

5.9 Regarding 5.8 above:

- (a) Members of the Committee should liaise with the Board and senior management;
- (b) The Committee must meet, at least twice a year, with the external auditor; and
- (c) The Committee should consider any significant or unusual items that are, or may need to be, reflected in the report 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 of the Company, or the external auditor.

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

- 5.10 to review the Company's financial controls and risk management and internal control systems;
- 5.11 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 programmes and budget of the Company's accounting and financial reporting function;
- 5.12 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;
- 5.13 to ensure audit 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 issuer, and to review and monitor its effectiveness;

- 5.14 to review the financial and accounting policies and practices of the Company and its subsidiaries (the “**Group**”);
- 5.15 to review the external auditor’s management letter, any material queries raised by the external auditor to the management about the accounting records, financial accounts, risk management and internal control systems and management’s response;
- 5.16 to ensure that the Board will provide a timely response to the issues raised in the external auditor’s management letter;
- 5.17 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.

#### *Corporate Governance Duties*

- 5.18 to develop and review the Company’s policies and practice on corporate governance and make recommendations to the Board;
- 5.19 to review and monitor the training and continuous professional development of directors and senior management;
- 5.20 to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- 5.21 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- 5.22 to review the Company’s compliance with the corporate governance code under the Listing Rules and disclosure in the corporate governance report in the annual reports of the Company.

#### *Others*

- 5.23 to report to the Board on all matters in the terms of reference of the Committee;
- 5.24 where the monitoring activities of the Committee reveal cause for concern or scope for improvement, to make recommendations to the Board to address the issue or to make improvements; and
- 5.25 to consider other topics, as defined by the Board.

## **6. Authority**

- 6.1 The Committee is authorised by the Board to inspect all accounts, books and records of the Company; and to seek information it requires from any employee of the Company.
- 6.2 The Committee shall have the right to require the Company's management to furnish information on any matter relating to the financial position of the Group as may be required for the purposes of discharging its duties.
- 6.3 The Committee is authorised to investigate any activity within its terms of reference and seek any information which it requires from any employee and all employees are directed to cooperate with any request made by the Committee.
- 6.4 The Committee is authorised by the Board to seek independent professional advice in appropriate circumstances at the Company's expense to discharge its duties under these Terms of Reference. The arrangement to seek professional advice can be made through the Secretary.
- 6.5 The Committee shall be provided with sufficient resources to perform its duties.

## **7. Reporting Responsibilities**

The Committee shall report its decisions, findings and recommendations to the Board as and when appropriate/at the next meeting of the Board following a Meeting.

## **8. Supplemental Provisions**

In case of any discrepancy between the Chinese and English version of these Terms of Reference, the English version shall prevail.

## **9. Publication of Terms of Reference**

These Terms of Reference will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited.