



沪港联合

## HONG KONG SHANGHAI ALLIANCE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1001)**

### AUDIT COMMITTEE

#### TERMS OF REFERENCE

##### 1. Objectives

The audit committee (the “**Audit Committee**”) of Hong Kong Shanghai Alliance Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is to assist the board of directors (the “**Board**”) in formulating arrangements to consider how it will apply the financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company’s auditors.

##### 2. Membership

The members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors and shall consist of not less than three members. The majority of the members should be independent non-executive directors and at least one of whom must be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board and must be an independent non-executive director.

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 two years from the date of his/her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.

##### 3. Frequency and proceedings of meetings

The Audit Committee should meet at least two times per year. Additional meetings should be held as the Audit Committee and/or the external auditor considers necessary.

A quorum for the meeting shall be two members of the Audit Committee. Proceedings of meetings shall be governed by the Bye-laws of the Company.

#### **4. Attendance at meetings**

As necessary or desirable, the Chairman may invite or request other Board members, members of senior executives and representatives of the external auditor to present at meetings of the Audit Committee.

The company secretary of the Company or such other person with appropriate qualification and experience as appointed by the Audit Committee from time to time shall act as the secretary of the Audit Committee.

Any members of the Audit Committee or other attendees may participate in a meeting of the Audit Committee by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other.

#### **5. Minutes and written resolutions**

Minutes (draft and final versions) of each Audit Committee meeting are to be prepared and sent to the Audit Committee members for their comment and records respectively, in both cases within a reasonable time after the meeting.

Written resolutions signed by all the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held and may consist of several documents in like form each signed by one or more of the members of the Audit Committee.

Copies of the minutes of the meeting/written resolutions of the Audit Committee shall be provided to the Board as requested.

#### **6. Authority**

The Audit Committee is authorised by the Board to deal with any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate as requested by members of the Audit Committee.

The Audit Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain outside or other independent professional advice as necessary to assist the Audit Committee in carrying out its duties and to secure the attendance of outsiders with relevant experience and expertise.

The Audit Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

The Audit Committee shall report to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).

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

## 7. **Responsibilities, powers and functions**

The Audit Committee shall have the following responsibilities, powers and functions:

### *Relationship with the Company's auditors*

- (a) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (b) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;
- (c) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should 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. 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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

### *Review of the Company's financial information*

- (e) 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 judgements contained in them. In reviewing these reports before submission to the Board, the Audit 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; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(f) Regarding (e) above:-

- (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditor; and
- (ii) the Audit Committee should consider 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 external auditors;

*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 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;
- (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 response 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' 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 the Company's arrangements for its employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit 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 report to the Board on the matters in these terms of reference; and
- (p) to consider other topics, as defined by the Board.

#### **8. Availability and update**

This terms of reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. Listing Rules). This terms of reference shall be made available to the public by including information on the websites of The Stock Exchange of Hong Kong Limited and the Company.

– END –

*Updated on 1st January 2019*

*(If there is any inconsistency between the English and Chinese versions of this terms of reference, the English version shall prevail.)*