

# **Shenzhen International Holdings Limited**

## **Terms of Reference of the Audit Committee of the Board of Directors**

### **1. Constitution**

1.1 The board of directors (the “Board”) hereby resolves to establish the Audit Committee (the “Committee”) of the Board.

### **2. Members and Secretary of the Committee**

2.1 All members of the Committee shall be non-executive directors.

2.2 The Committee shall consist of at least three non-executive directors. The majority of the members shall be independent non-executive directors and one of whom shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange Listing Rules”).

2.3 Members of the Committee shall be appointed by the Board, with a term of service of three years in general and with a renewable term of three years at the Board’s discretion.

2.4 The chairman of the Committee shall be an independent non-executive director, and be appointed by the Board after being elected among the Committee members.

2.5 The secretary of the Committee shall be appointed by the Board and the secretary of the Company can also be the secretary of the Committee.

2.6 Appointment of additional members to the Committee and the replacement or removal of members or the secretary of the Committee shall be subject to approval by the Board and the Committee respectively.

### **3. Proceedings at the Meetings**

3.1 The quorum of meetings of the Committee shall be at least two members who are also independent non-executive directors.

3.2 The Committee shall convene not less than two meetings every year. The auditors of the Company may request for meetings as and when they deem necessary.



- 3.3 Period of notice of a meeting shall not be less than five days.
- 3.4 The notice of a meeting may be served by any member in written or oral form to the secretary, who in turn shall serve the notice in writing or otherwise to each member; it may also be served by any member in written or oral form directly to other members; the secretary of the Committee may convene a meeting by notice in writing.
- 3.5 A meeting convened by a notice in oral form shall be confirmed as soon as possible in writing prior to the time of the meeting.
- 3.6 A notice “in writing” referred to above shall include a notice by facsimile or email.
- 3.7 The member or the secretary convening a meeting shall inform other members and the secretary of the purpose, time, venue and agenda of the meeting and provide them with relevant documents for reference. Such documents shall be despatched together with the agenda of the meeting, which shall be served together with the notice of the meeting (or the letter confirming the notice of the meeting). The agenda of the meeting shall be prepared by the chairman or the secretary of the Committee and shall be approved by the chairman of the Committee prior to the serving of which to members of the Committee.
- 3.8 The secretary shall procure the availability of telephones with speaker devices at the venue of the meeting so that members who are unable to attend the meeting in person can participate by telephone. Members participating in the meeting by telephone shall be deemed as being present at the meeting.
- 3.9 If within thirty minutes from the time appointed for the meeting a quorum is not present, the meeting shall be adjourned. The time and the venue of the adjourned meeting shall be determined by the majority of the members present. The period of notice of the adjourned meeting, may not be more than one business day in Hong Kong, shall be served by the secretary or any one of the members. In the event that a quorum is not present at the adjourned meeting within three minutes after the time fixed for the meeting, the members present shall constitute a quorum and be entitled to exercise all authority of the Committee.
- 3.10 All meetings shall be presided and chaired by the chairman of the Committee. In the event that the chairman of the Committee is not present within fifteen minutes after the time appointed for holding such meeting or has notified the secretary or other members before the time of the meeting that he will be absent from the meeting or has conflicting interests, which shall be confirmed by recipient(s) of the notification, the members present at the meeting shall choose one of their number as the chairman of the meeting.
- 3.11 Each member present at the meeting shall have one vote. All resolutions put to vote at the meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman of the meeting shall be entitled to a second or casting vote.

- 3.12 The secretary of the Committee shall attend and prepare minutes of all meetings of the Committee. Drafts of minutes shall be circulated to all members present at the meeting for review. The minutes shall be signed by the chairman of the meeting or put to vote at the next meeting for confirmation. All directors shall be entitled to inspect and request at any time copies of the minutes of the meetings.
- 3.13 Any meeting of the Committee shall not deal with any business not included in its agenda unless unanimously agreed by all members present.

#### **4. Resolutions in Writing**

- 4.1 Any resolution in writing signed by all members of the Committee shall be deemed as having been passed at a lawful meeting.

#### **5. Proxy**

- 5.1 Members of the Committee are not entitled to appoint proxies.

#### **6. Authority of the Committee**

- 6.1 The authority of the Committee is as follows:
- (a) to require executive directors, any employee of the Group and professional advisors (including auditors) to submit reports, attend Committee meetings, provide information and clarify queries;
  - (b) to check whether the management of the Group have complied with the policies developed by the Board or applicable laws and codes (including the Stock Exchange Listing Rules and the rules formulated by the executive committee of the Board) when performing their duties;
  - (c) to investigate all the suspicious fraudulent events and to require the management to look into such cases and submit reports;
  - (d) to evaluate risk management and internal control measures and systems of the Group;
  - (e) to appraise the staff performance of finance department, risk management department and internal audit department (or such departments with the same functions and responsibilities) of the Group;
  - (f) to make recommendations to the executive committee of the Board to continuously improve the internal control and risk management procedures of the Group;
  - (g) to appoint legal and other professional advisors for advices and assistance. Where the required professional fee exceeds HK\$500,000, discussion with the executive committee of the Board is required;

- (h) to request, if the Committee considers necessary, the executive committee of the Board to follow up the removal of any executive director of the Group, financial officer and other employee(s) in the event that there is evidence indicating that he/she breaches duties or is suspected to such breaches; and
- (i) to request the Board to replace and remove the auditors of the Company.

## **7. Duties of the Committee**

7.1 The duties of the Committee are as follows:

- (a) to act as the key representative for overseeing the Company's relations with the auditors;
- (b) to discuss with and make recommendations to the Board on the appointment, replacement and removal of the auditors of the Company, and to approve the remuneration and terms of engagement of the auditors, and to deal with any issue relating to the resignation or dismissal of the auditors;
- (c) to review and monitor the auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the auditors the nature and scope of the audit and reporting obligations before commencing the audit;
- (d) to develop and implement policies on the engagement of the auditors to provide non-audit services. The Committee shall report to the Board on any matters where actions or improvements is needed and make recommendations as to the steps to be taken;
- (e) to monitor the integrity of financial statements, interim reports, annual reports and accounts of the Company, and to review significant financial reporting judgements contained therein. The Committee shall review such reports and accounts particularly on the following areas and should consider any significant or unusual items that are, or may need to be, reflected therein before submitting the same to the Board:
  - (i) any change in accounting policies and practices;
  - (ii) all decisions involving critical estimates or judgements (such as provision for receivables and inventories, provision for tangible and intangible assets, tax provision, terms of depreciation of newly acquired assets and other accounting issues involving critical estimates or judgements as specified by the auditors);
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions of the Group and any qualified opinions issued by the auditors;



- (v) the cash flow position of the Group;
- (vi) the fairness and reasonableness of arrangements of connected transactions and the effect on earnings of the Group;
- (vii) the compliance with applicable accounting standards;
- (viii) the compliance with the Stock Exchange Listing Rules and applicable laws;
- (ix) whether the way of presentation of financial statements or the information disclosed therein can enhance the transparency of the Group and is sufficient enough to enable investors to fairly understand the financial position of the Group and the Company during the period;
- (f) to discuss with the auditors problems arising from the interim and annual audit, or other issues that the auditors, the chief financial officer of the Group, internal audit personnel and staff responsible for the accounting and financial reporting function consider necessary to discuss (in the absence of the management of the Group where necessary);
- (g) to review the auditors' management letter issued to the management of the Group, material queries raised by the auditors to the management in respect of accounting records, financial accounts or control systems and the reply or response from the management;
- (h) to ensure that the Board provides timely response to the issues raised in the auditors' management letter issued to the management of the Group;
- (i) to review the Group's financial control, and risk management and internal control systems, and to review the Group's statement on the risk management and internal control systems contained in the annual report;
- (j) to discuss with the management on the risk management and internal control systems and to ensure the management has performed its duty to establish 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;
- (k) to consider the findings of major investigations on risk management and internal control matters and the response from the management to these findings on its own initiative or as delegated by the Board;
- (l) to assess the internal audit procedures of the Group, to ensure co-operation between the internal audit personnel and the external auditors, to ensure the Group's risk management department and internal audit department (or such departments with the same functions and responsibilities) are provided with adequate resources and has appropriate status within the Group, and to review and monitor the operational effectiveness of the risk management department;
- (m) to review the Group's financial and accounting policies and practices;

- (n) 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. 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 deal with other issues assigned by the Board;
- (p) to report to the Board at least once annually in respect of the Committee's work and result of review for the relevant period, including but not limited to the following:
  - (i) the significant issues on the scope and service quality of the auditors that needs the Board's attention, the review of the completeness, accuracy and fairness of the preparation of the interim and annual reports and the information disclosed therein, as well as the conclusion and follow-up on the discussion with the auditors in respect of financial reporting that needs the Board's attention;
  - (ii) the assessment of the operational effectiveness of the risk management system and the response to the results of the internal audit that needs the Board's attention;
  - (iii) the statement of the effectiveness of the internal control and risk management procedures; and
- (q) the Committee may invite any person as it considers appropriate to attend meetings of the Committee (including all executive directors, other members of the management, internal audit personnel and the auditors). However, the Committee should meet the auditors at least twice annually, including at least once in the absence of all executive directors and the management.

## **8. Veto of the Committee**

- 8.1 The Committee has the veto on following issues. The Group shall not carry out the issues vetoed by the Committee.
- (a) to approve any connected transaction as defined by the Stock Exchange Listing Rules and which is subject to the approval of independent shareholders (except where the approval of the relevant transactions is conditional and the said condition is that the transactions shall be approved by independent non-executive directors and independent shareholders of the Company, thus, the executive committee of the Board is entitled to approve the connected transactions in accordance with the aforesaid condition);
  - (b) to appoint independent financial advisors for the purpose of all the connected transactions that shall be subject to the approval of independent shareholders under the Stock Exchange Listing Rules;

(c) to remove or not reappoint the auditors of the Company (unless the general meeting of the Company exercise this power); and

(d) to make recommendations to shareholders of the Company in respect of the appointment (including reappointment) of auditors of the Company.

## **9. Circulation of Minutes and Written Resolutions**

9.1 After signing of the minutes and written resolutions of the Committee, the secretary shall be responsible for making copies of the same to all directors for records as soon as possible.

## **10. Bye-Laws of the Company**

10.1 These terms of reference shall not override the Bye-Laws of the Company, especially the requirements that directors are not entitled to vote in case of conflicts of interests.

10.2 The requirements for the proceedings of the Board meetings that are not stipulated in these terms of reference but provided in the Bye-Laws of the Company shall be applicable to the proceedings of the meetings of the Committee.

## **11. Authority of the Board**

11.1 These terms of reference may be amended, supplemented and revoked from time to time by the Board without violation of the Bye-Laws and the Stock Exchange Listing Rules (including the Corporate Governance Code).

11.2 The Board is not allowed to cancel or modify the authority and duties of the Committee or issues with veto rights without the consent of the Committee.

## **12. Correspondence Address of Committee Member**

12.1 Every Committee member shall provide the secretary with his correspondence address, phone number and e-mail address for the delivery of notices by the Company. The secretary shall notify each of the Committee members of the registered correspondence addresses, phone numbers and e-mail addresses of other members.

12.2 For those Committee members who do not provide the secretary with their correspondence addresses, phone numbers and e-mail addresses shall be deemed to have assigned the address and phone number of the principal office of the Company in Hong Kong from time to time as their registered correspondence addresses and phone numbers.

- 12.3 All the notices and communications issued in accordance with these terms of reference shall be delivered or posted to the registered addresses of the relevant committee members. Where phone calls are applicable, voice messages shall be deemed as effective notices.
- 12.4 The date of issuing notices and holding meetings are inclusive for the purpose of the calculation of the notice period of meetings.

- The End -

***Adoption/amendments of the Terms of Reference:***

<i>11 April 2003</i>	<i>Adoption approved by the Board</i>
<i>23 March 2005</i>	<i>Amendments approved by the Board</i>
<i>3 April 2009</i>	<i>Amendments approved by the Board</i>
<i>30 March 2011</i>	<i>Amendments approved by the Board</i>
<i>12 March 2012</i>	<i>Amendments approved by the Board</i>
<i>22 March 2016</i>	<i>Amendments approved by the Board</i>
<i>6 December 2017</i>	<i>Amendments approved by the Board</i>

***Note:*** *The English translation of this Terms of Reference is for reference only. Should there be any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*