



招商局港口控股有限公司

CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00144)

TERMS OF REFERENCE OF AUDIT COMMITTEE

Constitution

1. The Audit Committee (the “Committee”) was formed pursuant to the board resolution of China Merchants Holdings (International) Company Limited (now known as China Merchants Port Holdings Company Limited) (“the Company”) passed on 18 September 1998.

Membership

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, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the Committee members should be independent non-executive directors. A quorum shall be two members.
3. The Chairman of the Committee shall be appointed by the board and should be an independent non-executive director.

Attendance at meetings

4. Attendees shall normally include the Committee members, the Financial Controller, the Head of Internal Audit, a representative of the external auditors and those with meaningful input to the Committee’s activities. However, at least once a year the Committee shall meet with the external and internal auditors (if any) without executive board members present.
5. The company secretary shall be the secretary of the Committee. The secretary of the Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Committee.

Frequency of meetings

6. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

7. The Committee is authorised by the board to investigate 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 with any request made by the Committee.
8. The Committee is authorised by the board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it consider this necessary.

Duties

9. The duties of the Committee shall be:
 - (a) 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;
 - (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
 - (c) 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;

- (d) 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:
 - (i) members of the Committee should liaise with the board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the 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 auditors;
- (f) 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;

- (g) 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;
- (h) to consider major investigation findings on risk management and internal control matters and management's response to these findings as delegated by the board or on its own initiative;
- (i) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (j) 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 controls and management's response;
- (k) to review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the board;
- (l) where an internal audit function exists, to review the internal audit programme, 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;
- (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 and to 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 relationship with the external auditor;
- (p) to report to the board on the matters of the terms of reference of the Committee;
- (q) to review the group's financial and accounting policies and practices;
- (r) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;
- (s) to review and monitor the training and continuous professional development of directors and senior management;
- (t) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, and to review and evaluate the effectiveness of the Company's compliance management policies which enable the Company to achieve its goal in compliance management;
- (u) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (v) to review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report; and
- (w) to consider other topics, as defined by the board.

Reporting procedures

10. The secretary or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the board.

2 December 2019