



亞洲聯合基建控股有限公司

ASIA ALLIED INFRASTRUCTURE HOLDINGS LIMITED

(Incorporated in Bermuda with Limited Liability)
(Stock Code: 00711.HK)

AUDIT COMMITTEE – TERMS OF REFERENCE **(effective on 31 December 2018)**

1. Membership

- 1.1 The Audit Committee shall be appointed by the board of directors (the “Board” or “Director”) and must consist of at least three members (the “Members”).
- 1.2 Membership shall be confined to non-executive Directors the majority of which must be Independent Non-executive Directors (“INEDs”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The Chairman of the Audit Committee shall be appointed by the Board and must be an INED.
- 1.4 In the event that the Audit Committee comprises a non-executive Director who is a former partner of the Company’s existing auditing firm, such non-executive Director shall 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.

2. Secretary

- 2.1 The Company Secretary shall be the secretary of the Audit Committee.
- 2.2 If the Company Secretary may not participate in the Meeting, the Company Secretary may appoint his/her representative or the Audit Committee may appoint any other person with appropriate professional qualification and experience as the secretary of the Audit Committee.

3. Attendance at Meetings

- 3.1 At least once a year, representatives of the external auditors of the Company will meet the Audit Committee without any Executive Directors being present, except by invitation of the Audit Committee.

3.2 At the invitation of the Audit Committee, the following persons may attend the meeting:

- (a) Managing Director;
- (b) Finance Director (or person occupying the same position); and
- (c) other members of the Board or other persons.

3.3 Only Members are entitled to vote at the Meetings.

4. Meetings

4.1 The Audit Committee shall meet at least twice each year. The Company's external auditors may request that a meeting be held if they consider it necessary.

4.2 Notice of any meetings has to be given at least 7 days prior to any such meeting being held, unless all Members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.

4.3 The quorum of the Audit Committee shall be any two Members.

4.4 Meetings could be held in person, by telephone or by video conference.

4.5 Resolutions of the Audit 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 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.

4.7 Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all Members for their comment and records within a reasonable period of time after the meeting. Such minutes shall be open for inspection by Directors.

5. Duties and Responsibility

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control systems. The Audit Committee shall have the following duties and responsibilities:

Relationship with the Company's External Auditors

5.1 to act as the key representative body for overseeing the Company's relations with the external auditor, 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 issues related to its resignation or dismissal;

- 5.2 to review and monitor the external auditor's independence and objectivity and 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;
- 5.3 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 of all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;
- 5.4 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Company

- 5.5 to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if applicable), and to review any significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:
 - (a) any changes in accounting 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 Rules Governing the Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other legal requirements in relation to financial reporting;
- 5.6 Regarding 5.5 above:
 - (a) Members of the Audit Committee should liaise with the Board and senior management of the Company;
 - (b) the Audit Committee must meet, at least twice a year, with the external auditors of the Company; and
 - (c) the Audit Committee shall 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 person occupying the same position) or external auditors;

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

- 5.7 to review the Company's financial reporting, financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;

- 5.8 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 accounting and financial reporting function;
- 5.9 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;
- 5.10 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;
- 5.11 to review the Group's financial and accounting policies and practices;
- 5.12 to review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts or systems of risk management and control and management's response;
- 5.13 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.14 to report to the Board on all matters set out in this Terms of Reference;
- 5.15 to consider other topics, as defined by the Board; and
- 5.16 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and 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.

6. Authority

- 6.1 The Audit Committee is authorized by the Board to inspect all accounts, books and records of the Company.
- 6.2 The Audit Committee shall have the right to require the management of the Company to furnish information on any matter relating to the financial position of the Company, its subsidiaries or affiliates, as may be required for the purposes of discharging its duties.
- 6.3 The Audit Committee should seek independent professional advice in appropriate circumstances at the Company's expense to perform its responsibilities.
Note: Arrangement to seek independent professional advice could be made through the Company Secretary.
- 6.4 The Audit Committee shall be provided with sufficient resources to discharge its duties.

7. Reporting

7.1 The Audit Committee shall report to the Board after each meeting.

8. Annual General Meeting

8.1 The Chairman of the Audit Committee or in his/her absence, another Member of the Audit Committee, shall attend the Annual General Meeting of the Company and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

Remark : "senior management" should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under Appendix 16 to the Listing Rules.

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