



濱海投資有限公司

**BINHAI INVESTMENT COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 2886)**

## **Binhai Investment Company Limited**

**(the “Company”)**

### **Audit Committee – Terms of Reference**

#### **FOREWORD**

The Company has established an Audit Committee with written terms of reference.

#### **MEMBERSHIP & SECRETARY**

##### **1. Memberships**

The Committee must consist of a minimum of three members (“Members”).

The members of Committee shall be appointed by the Board of Directors from amongst the Non-Executive Directors of which a majority of whom must be Independent Non-Executive Directors (“INEDs”).

At least one INED must have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Committee for a period of one year commencing on the later of (a) the date of his ceasing to be a partner of the firm; or (b) the date of his ceasing to have any financial interest in the firm.

##### **2. Chairman**

The Chairman of the Committee shall be appointed by the Board and must be an INED.

### **3. Secretary**

The Company Secretary of the Company shall act as the Secretary of the Committee. The Committee may from time to time appoint any other person with appropriate qualification and experience as the Secretary of the Committee.

### **AUTHORITY**

#### **4. The Committee is authorized by the Board:**

- (a) to investigate any activity within its terms of reference;
- (b) to inspect all accounts, books and records of the Company and its subsidiaries (the “Group”);
- (c) to seek any remuneration-related information it requires from senior management of the Group in order to perform its duties; and
- (d) to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.

#### **5. The Committee is authorized by the Board where necessary to engage external consultants or experts to provide any professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings at the cost of the Company .**

#### **6. The Committee shall be provided with sufficient resources to perform its duties.**

### **DUTIES**

The Audit Committee shall have the following duties:

#### **A. Relationship with the Company’s External Auditors**

- 7.1** (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and
  - (b) to approve the remuneration and terms of engagement of the external auditor, and
  - (c) to consider any questions of resignation or dismissal of the external auditor and consider whether there are any matters that need to be brought to the attention of shareholders of the Company;
- 7.2** to review and monitor the external auditor’s independence and objectivity;

- 7.3** (a) to review and monitor the effectiveness of the audit process in accordance with applicable standards; and
- (b) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 7.4** (a) 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); and
- (b) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

**B. Review of the Company’s financial information**

- 7.5** (a) to monitor integrity of the Company’s financial statements and the annual report and accounts, half-year report and quarterly reports;
- (b) to review any significant financial reporting judgments contained in them.

In reviewing these reports before submission to the Board, the Committee shall 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;
- (c) to discuss problems and reservations arising from the interim review and final audit, and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- (d) to review the external auditor’s management letter and the management’s response;

**7.6** Regarding 8.5(a) and (b) 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 Company's external auditors; and
- (c) the Committee should 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 external auditors;

**C. Oversight of the Company's financial reporting system and internal control procedures**

**7.7** to review the Company's accounting, financial and internal controls and risk management systems on an annual basis;

**7.8** to review and discuss the internal control system with management to ensure that management has performed its duty to establish an effective internal control system on an annual basis. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, and those relating to the Company's ESG performance and reporting;

**7.9** to review the scope and quality of the Company's ongoing monitoring of the internal control systems on an annual basis;

**7.10** to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

**7.11** in relation to the Company's internal audit function,

- (a) 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
- (b) to review and monitor its effectiveness;
- (c) to review the Company's ongoing monitoring of the work of its internal audit function and other assurance providers on an annual basis;

**7.12** to review the Group's financial and accounting policies and practices;

**7.13** to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;

- 7.14** to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 7.15** to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- 7.16** to consider the major findings of internal investigations and management's response;
- 7.17** (a) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and
- (b) to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 7.18** to act as the key representative body for overseeing the Company's relations with the external auditors;
- 7.19** to review significant control failings or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition;

#### **D. Corporate Governance Functions**

- 7.20** to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 7.21** to review and monitor the training and continuous professional development of directors and senior management of the Company;
- 7.22** to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 7.23** to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group;
- 7.24** to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- 7.25** to review the effectiveness of the Company's processes for financial reporting and Exchange Listing Rule compliance;
- 7.26** to review the whistleblowing policy and system established by the Company, and manage the

concerns about possible improprieties in any matter related to the Company raised in confidence and anonymity by employees and those who deal with the Company (e.g. customers and suppliers) with the audit committee;

**7.27** to review the policy and system established by the Company that promote and support anti-corruption laws and regulations;

## **E. General**

**7.28** to report to the Board on all matters set out in these Terms of Reference; and

**7.29** to consider any other matters specifically referred to the Committee by the Board.

### **Annual General Meeting & Terms of Reference**

**7.30** The Chairman of the Committee (or in his/her absence, another Member (who must be an INED) of the Committee) shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Committee's activities and responsibilities.

**7.31** A copy of these Terms of Reference will be made available to any person without charge upon request. The Committee should make available these Terms of Reference, explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.

## **MEETINGS**

### **8. Frequency**

The Committee shall meet at least twice a year. Additional meetings should be held if the Committee considers it necessary or upon request of the external auditors.

### **9. Quorum**

The quorum of a meeting shall be two Members or 50% of the Members who are entitled to vote at the meeting, whichever is the higher.

### **10. Resolutions**

Resolutions of the Committee at any meetings shall be passed by a majority of votes of the Members present. Meetings can also be held in person, by telephone or by tele-conferencing or any other telecommunications facility provided that all participants are thereby able to communicate contemporaneously by voice with all other participants. A resolution in writing signed by all the Members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.

The Secretary of the Committee shall keep full minutes of all Committee meetings. Draft and final versions of minutes of meetings of the Committee shall be sent to all Members for their comments and records within a reasonable time after each meeting.

## **11. Attendance**

The finance director, financial controller, head of internal audit and a representative of the external auditors shall normally attend the meetings. The Committee may, from time to time, invite any appropriate person to attend the meeting whenever it is necessary, and such invitation(s) shall be coordinated by the Secretary of the Committee.

However, only Members of the Committee are entitled to vote at the meetings.

At least once a year, the Committee shall meet with the external auditors in the absence of any Executive Directors (except by invitation of the Committee).

## **REPORTING PROCEDURES**

- 12.** The secretary shall circulate the minutes of meetings and reports of the Committee to all members of the Board.
- 13.** The Committee shall report to the Board of its findings, decisions and recommendations.