



PORTICO INTERNATIONAL HOLDINGS LTD

## **Portico International Holdings Limited**

**寶國國際控股有限公司**

(the “Company”)

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 589)*

### **REVISED TERMS OF REFERENCE OF AUDIT COMMITTEE**

#### **Purpose**

1. The purpose of the Audit Committee is to assist the board of directors (the “**Board**”) of Company (together with its subsidiaries, the “**Group**”) in:
  - (a) ensuring that the Company has effective financial reporting, risk management and internal control systems in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”);
  - (b) overseeing the integrity of the financial statements of the Company;
  - (c) selecting, and assessing the independence and qualifications of the Company’s external auditor; and
  - (d) ensuring effective communication between the Company’s directors, internal auditors and external auditors.

#### **Membership**

2. The Audit Committee shall comprise a minimum of three members consisting of non-executive directors only and a majority of which must be independent non-executive directors of the Company. The Audit Committee shall have at least one independent non-executive director who has the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.
3. The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board and must be an independent non-executive director.

4. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year from the date of his or her ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.

### **Secretary**

5. The Company's company secretary shall be the secretary (the "**Secretary**") of the Audit Committee.
6. In the absence of the Secretary, the members present at a meeting of the Audit Committee shall elect any member present or any other person present to take minutes for the meeting.

### **Meetings**

7. The Audit Committee shall hold at least two regular meetings annually to review and discuss the interim and annual financial statements of the Company (the "**Regular Meetings**" and each a "**Regular Meeting**") or more frequently if circumstances require. The Board, any Audit Committee member and/or the external auditors may request a meeting if they consider that one is necessary.
8. Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication.
9. The financial director of the Company, the head of internal auditor and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the external and internal auditors without executive directors present.
10. A meeting of the Audit Committee may be convened by any of its members, or by the Secretary at the request of any of the members of the Audit Committee, or at the request of the Company's external auditors.
11. Unless otherwise agreed by all the members of the Audit Committee, notice of at least 3 days shall be given of a Regular Meeting. For all other meetings of the Audit Committee, reasonable notice shall be given.

12. The Chairman (or in his or her absence, a member designated by the Chairman) shall preside at all meetings of the Audit Committee. The Chairman shall be responsible for leading the Audit Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.
13. The quorum for a meeting shall be two members of the Audit Committee, of whom one has to be an independent non-executive director.
14. Unless otherwise specified hereunder, proceedings of meetings of the Audit Committee shall be governed by the provisions contained in the Company's Articles of Association as amended from time to time for regulating the meetings and proceedings of directors.
15. Minutes of meetings (both draft and final versions) of the Audit Committee and the records of individual attendance at such meetings shall be prepared by the Secretary which shall be sent to all members of the Audit Committee for their review and records within a reasonable time after the conclusion of the meeting. Final minutes shall be kept by the Secretary and shall be made available for inspection by any member of the Audit Committee or any director of the Company at any reasonable time.

#### **Authority**

16. The Audit Committee is authorised to inspect all accounts, books and records of the Company, and shall have the right to require the management of the Company to furnish all information requested by the Audit Committee as may be required for the purposes of discharging its duties.
17. The Audit Committee is authorised by the Board to investigate any activity within these terms of reference. It is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Audit Committee.
18. The Audit Committee is authorised by the Board to obtain outside independent legal or other professional advice at the expense of the Company and to invite the attendance of outsiders with relevant experience and expertise at meetings of the Audit Committee if it considers this necessary.
19. The Audit Committee shall be provided with sufficient resources to perform its duties.

## **Duties**

20. The duties of the Audit Committee shall include the following:

- 20.1 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;
- 20.2 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 auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 20.3 to develop and implement policies 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;
- 20.4 to monitor the integrity of the Company's financial statements and annual reports and accounts, half yearly reports 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:
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from the audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

- 20.5 regarding paragraph 20.4 above:
- (a) 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 auditors; and
  - (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and 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;
- 20.6 to review the Company's financial control, risk management and internal control systems;
- 20.7 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;
- 20.8 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;
- 20.9 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 the appropriate standing within the Company, and to review and monitor its effectiveness;
- 20.10 to review the Group's financial and accounting policies and practices;
- 20.11 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;
- 20.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 20.13 to report to the Board on the matters in the Corporate Governance Code and Corporate Governance Report (Appendix 14 of the Listing Rules);

- 20.14 to review arrangements which 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;
- 20.15 to act as the key representative body for overseeing the Company's relationship with the external auditor;
- 20.16 to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company;
- 20.17 to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company;
- 20.18 to review from time to time as appropriate these Terms of Reference and the effectiveness of the Committee and recommend to the Board any necessary changes;
- 20.19 to report to the Board on the matters set out in these Terms of Reference and where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement, the Audit Committee shall make recommendations to the Board to address the issue or to make improvements; and
- 20.20 to consider such other matters as the Board may from time to time determine.

### **Reporting Procedures**

- 21. The Audit Committee shall report to the Board on a regular basis. At least annually, the Audit Committee shall present a report to the Board which addresses the work and findings of the Audit Committee during the year.