



# **CK Infrastructure Holdings Limited** **長江基建集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1038)**

**(the “Company”)**

## **AUDIT COMMITTEE - TERMS OF REFERENCE**

Below are the Terms of Reference of the Audit Committee of the Company (together with its subsidiaries, the “Group”) established on 11th December, 1998 pursuant to the resolutions of the board (the “Board”) of directors (the “Directors”) of the Company, in compliance with the Corporate Governance Code (the “Code”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

### **1. Membership**

- 1.1 The Audit Committee shall be appointed by the Board and must consist of a minimum of three members.
- 1.2 Membership shall be confined to non-executive Directors, the majority of which must be independent non-executive Directors and at least one independent non-executive Directors 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 independent non-executive Director.
- 1.4 A non-executive Director who is 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 two years from the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.

### **2. Secretary**

- 2.1 The Company Secretary shall be the secretary of the Audit Committee.
- 2.2 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

### **3. Meetings**

- 3.1 The Audit Committee shall meet at least twice each year. Any member of the Audit Committee or the Company's external auditor may request that a meeting be held if he/she/it considers it necessary.
- 3.2 Notice of meetings has to be given at least 14 days prior to any such meeting being held, unless all members of the Audit Committee unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a member of the Audit Committee shall be deemed waiver of the requisite length of notice by the member of the Audit Committee. Notice of any adjourned meetings is not required if adjournment is for less than 14 days.
- 3.3 The quorum of the Audit Committee shall be any two members.
- 3.4 Meetings could be held in person, by telephone or by video conference. Members of the Audit Committee may participate in a meeting by means of a conference telephone or similar communications equipment or through electronic means of communications by means of which all persons participating in the meeting are capable of hearing each other.
- 3.5 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the members of the Audit Committee present.
- 3.6 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.
- 3.7 Full minutes shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be circulated to all members of the Audit Committee for their comment and records within a reasonable period of time after the meeting. Such minutes shall be open for Directors' inspection.

### **4. Attendance at Meetings**

- 4.1 At least once a year, representatives of the Company's external auditor will meet the Audit Committee without any management being present, except by invitation of the Audit Committee, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.
- 4.2 At the invitation of the Audit Committee, the following persons may attend the meeting:
  - (i) Head of Internal Audit or in his/her absence, a representative from Internal Audit;
  - (ii) Group Finance Director or Head of Accounts Department (or person occupying the same position); and
  - (iii) other members of the Board or other persons.
- 4.3 Only members of the Audit Committee are entitled to vote at the meetings.

## **5. Annual General Meeting**

- 5.1 The Chairman of the Audit Committee or in his/her absence, another member (who must be an independent non-executive Directors) of the Audit Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Audit Committee's activities and their responsibilities.

## **6. Responsibility, Powers and Discretion**

The responsibility of the Audit Committee is to assist the Board in fulfilling its duties through the review and supervision of the Company's financial reporting, risk management and internal control systems and to assist the Board with any other responsibility as may be delegated by the Board from time to time. The Audit Committee shall have the following responsibilities, powers and discretion:

### *Relationship with the Company's External Auditor*

- 6.1 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;
- 6.2 review and monitor the external auditor's independence and objectivity, and:
- (a) consider all relationships between the Company and the audit firm (including non-audit services); and
  - (b) obtain from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements for rotation of audit partners and staff;
- 6.3 review and monitor 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;
- 6.4 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);
- 6.5 report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 6.6 act as the key representative body for overseeing the Company's relations with the external auditor;

*Review of the Company's financial information*

- 6.7 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 judgements contained therein. In reviewing these reports (if applicable) before submission to the Board, the Audit Committee shall focus particularly on:
- (a) financial reporting and accounting policies and practices and any changes in these 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 Listing Rules, other applicable rules and legal requirements in relation to financial reporting;
- 6.8 regarding paragraph 6.7 above:-
- (a) members of the Audit Committee should liaise with the Board and senior management;
  - (b) the Audit Committee must meet, at least twice a year, with the Company's external auditor; and
  - (c) the Audit 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 person occupying the same position), or external or internal auditors;

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

- 6.9 review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, and review the Company's risk management and internal control systems, including those managing cyber risks, with particular regard to their effectiveness;
- 6.10 ensure that the effectiveness of the risk management and internal control systems of the Company and its subsidiaries is reviewed at least annually (the scope of which review should cover all material controls, including financial, operational and compliance controls), and that management to provide a confirmation on the effectiveness of these systems;

- 6.11 discuss the risk management and internal control systems with management to ensure that management has performed its duty to have put in place appropriate and effective risk management and internal control systems for the purposes of dealing with identified risks (including cyber risks), safeguarding assets, preventing and detecting fraud, misconduct and loss, ensuring the accuracy of financial reports and achieving compliance with applicable laws and regulations.

This discussion should include:

- (a) the changes in the nature and extent of significant risks (including ESG risks), and the Group's ability to respond to changes in its business and the external environment;
  - (b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and the work of its internal audit function and other assurance providers, if any;
  - (c) the extent and frequency of communication of monitoring results to the Board for the purposes of assessing the adequacy and the effectiveness of the risk management and internal control systems of the Group;
  - (d) significant control failings or weaknesses identified during the review of the risk management and internal control systems, 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 financial performance or condition of the Company, and any remedial measures taken to address such control failings or weaknesses;
  - (e) the effectiveness of the Group's processes for financial reporting and Listing Rules compliance; and
  - (f) the adequacy of resources (internal and external) for designing, implementing and monitoring the risk management and internal control systems, including staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting;
- 6.12 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;
- 6.13 ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and review and monitor its effectiveness; and meet the Head of Internal Audit at least annually to ensure that there are no unresolved issues or concerns;
- 6.14 review the Group's financial and accounting policies and practices;

- 6.15 review the external auditor's management letter, any material queries raised by the external auditor to management about the accounting records, financial accounts, risk management and internal control systems and management's response;
- 6.16 ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.17 review policies and arrangements that employees of the Group can use, in confidence and anonymity, to raise concerns about possible improprieties in financial reporting, internal control or other matters, adopt and maintain proper arrangements for fair and independent investigation of these matters and for appropriate follow-up action, and review progress and findings of investigations and follow-up actions;

*Corporate governance functions delegated by the Board*

- 6.18 develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 6.19 review and monitor the training and continuous professional development of Directors and senior management;
- 6.20 review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- 6.21 develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- 6.22 review the Company's compliance with the Code and disclosure in the Corporate Governance Report;

*Others*

- 6.23 ensure the practices and procedures of the Company with respect to related party transactions and disclosure of discloseable information are adequate for compliance with the requirements under the Listing Rules and other applicable rules;
- 6.24 review from time to time as appropriate these Terms of Reference and recommend to the Board any necessary changes;
- 6.25 provide to the Board such assurances as it may reasonably require regarding compliance with all applicable supervisory and other regulations by such subsidiaries and associates of the Company for which the Company provides management services;
- 6.26 report to the Board on all matters in respect of these Terms of Reference; and
- 6.27 consider any other matters specifically referred to the Audit Committee by the Board.

## **7. Reporting Responsibilities**

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

## **8. Authority**

8.1 The Audit Committee is authorised by the Board to inspect all accounts, books and records of the Company.

8.2 The Audit Committee shall have the right to require the Company's management 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.

8.3 A Director as a member of the Audit Committee may seek independent professional advice in appropriate circumstances at the Company's expense to discharge his/her duties as a member of the Audit Committee to the Company.

*Note: Arrangement to seek independent professional advice could be made through Company Secretary.*

8.4 The Audit Committee shall be provided with sufficient resources to perform its duties.

## **9. Publication of the Terms of Reference**

9.1 These Terms of Reference are posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited. A copy of these Terms of Reference is made available to any person without charge upon request.

*Remark: "senior management" refers to the same persons referred to in the Company's annual report and required to be disclosed under paragraph 12 of Appendix D2 to the Listing Rules.*

Effective on: 11th December, 1998

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1st January, 2009  
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