



# Silk Road Logistics Holdings Limited

絲路物流控股有限公司

(the “Company”)

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 988)

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

### **1. Membership**

- 1.1 The members of the Audit Committee shall be appointed by the board of directors (the “Board”) of the Company and shall be made up of at least three members who are directors of the Company.
- 1.2 All the Audit Committee members shall be non-executive directors and majority of the members shall be independent non-executive directors with at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- 1.3 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 ceasing:
  - a. to be a partner of the firm; or
  - b. to have any financial interest in the firm,whichever is later.
- 1.4 The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive director.

### **2. Secretary**

The company secretary of the Company or his nominee shall act as the secretary of the Audit Committee.

### **3. Frequency and proceedings of meetings**

- 3.1 Unless otherwise specified hereunder, the provisions contained in the Company's Bye-laws (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.
- 3.2 The Audit Committee shall hold at least two meetings in a year. Additional meetings should be held as the work of the Audit Committee demands.
- 3.3 Any member of the Audit Committee may convene additional meetings at his/her discretion with the consent of another member of the Audit Committee.
- 3.4 The Audit Committee shall meet with the external auditors at least twice a year. The external auditors may request a meeting if they consider necessary.
- 3.5 Agenda and accompanying supporting papers shall be sent to all members of the Audit Committee at least 3 days before the date of the meeting (or such other period as the members may agree).
- 3.6 The quorum for meetings of the Audit Committee shall be any two members.

### **4. Minutes**

- 4.1 The secretary shall minute the proceedings and resolutions of all meetings of the Audit Committee. Draft and final versions of minutes of such meetings shall be sent to all members of the Audit Committee for their comments and records within a reasonable time after the meeting.
- 4.2 Minutes of the Audit Committee shall be kept by the secretary and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.
- 4.3 Without prejudice to any requirement under the Listing Rules, written resolution may be passed and adopted by all members of the Audit Committee.

### **5. Annual General Meeting**

The chairman of the Audit Committee or in his absence, another member of the Audit Committee or failing this, his duly appointed delegate, shall attend the Company's annual general meeting and be prepared to respond to questions at the annual general meeting on the Audit Committee's activities.

## 6. Duties and authorities

- 6.1 The duties and authorities of the Audit Committee shall include such duties and authorities set out in the relevant code provisions of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules (as amended from time to time).
- 6.2 Without prejudice to any requirement under the Corporate Governance Code, the duties of the Audit Committee shall include:

### Relationships with the Company's auditors

- (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 to consider any questions of their 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, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

### Review of the Company's financial information

- (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 judgements contained in them. In reviewing these reports before submission to the Board, the Audit 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 Listing Rules and legal requirements in relation to financial reporting;
- (e) regarding (d) above:
- (i) 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
  - (ii) 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 auditors;

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

- (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 as delegated by the Board or on its own initiative and management's response to these findings;
- (i) 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;
- (j) to review the group's financial and accounting policies and practices;
- (k) 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;

- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (m) to report to the Board on the matters set out in the Corporate Governance Code provision set out in Appendix 14 of the Listing Rules;
  - (n) to consider other topics, as defined by the Board;
  - (o) 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; and
  - (p) to act as the key representative body for overseeing the Company's relations with the external auditor.
- 6.3 The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it may require from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- 6.4 The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers necessary.
- 6.5 The Audit Committee shall be provided with sufficient resources to perform its duties.

## **7. Reporting Responsibilities**

The Audit Committee shall report to the Board on a regular basis. At the next Board meeting following a meeting of the Audit Committee, the Audit Committee shall report to the Board of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.