



SHANGRI-LA ASIA LIMITED

香格里拉(亞洲)有限公司

(Incorporated in Bermuda with limited liability)

website: www.ir.shangri-la.com

(Stock code: 00069)

TERMS OF REFERENCE

OF

AUDIT COMMITTEE

(“Committee”)

(version 3.0)

(revised on 2016/01/01)

1. **MEMBERSHIP**

- 1.1 Members of the Committee shall be appointed by the Board.
- 1.2 Membership of the Committee is open only to Non-executive Directors.
- 1.3 The Committee must comprise a minimum of three members and a majority of whom shall be Independent Non-executive Directors.
- 1.4 One of the members of the Committee shall be an Independent Non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise.

2. **CHAIRMAN**

- 2.1 The Board shall appoint an Independent Non-executive Director as the chairman of the Committee. The chairman of the Committee has the responsibility of liaising with the Board.
- 2.2 The chairman of the Committee shall chair the meetings of the Committee.
- 2.3 In the absence of the chairman of the Committee, the remaining members present at the meeting shall elect one amongst themselves to chair the meeting of the Committee.

3. **SECRETARY**

- 3.1 The Chief Financial Officer of the Company shall be the secretary of the Committee.
- 3.2 The secretary of the Committee or his delegate shall attend meetings of the Committee to take minutes.
- 3.3 In the absence of the secretary of the Committee, the members present at the meeting of the Committee shall elect another person as the secretary.

4. QUORUM AND RESOLUTIONS

- 4.1 The quorum necessary for the transaction of business shall be any two members and:
- (a) if only two members are in attendance, at least one member shall be an Independent Non-executive Director; and
 - (b) if more than two members are in attendance, then a majority of the members shall be Independent Non-executive Directors.
- 4.2 A member participating in a Committee meeting through electronic communication device shall be counted for the purpose of the quorum as far as the member is able:
- (a) to hear each of the other participating member(s) addressing the meeting; and
 - (b) if he so wishes, to address all of the other participating member(s) simultaneously.
- 4.3 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The member or any of his close associates who has a material interest shall not be counted towards the quorum and he must abstain from voting on any resolution of the Committee in which he and/or his close associates have a material interest.
- 4.4 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 4.5 Each resolution at a meeting of the Committee shall be determined by a majority of votes of the Committee members present. In case of an equality of votes, the chairman of the meeting shall have a casting vote.

5. FREQUENCY OF MEETINGS

- 5.1 The Committee shall meet at least twice a year with the auditor of the Company and at such other times as the chairman of the Committee shall require.
- 5.2 Any member of the Committee, the Director of Corporate Internal Audit or the external auditor may request a meeting if he considers that one is necessary. The request shall be made to the secretary of the Committee.

6. ATTENDANCE AT AND ATTENDEES OF MEETINGS

- 6.1 Members of the Committee may attend meetings of the Committee either in person or through electronic means of communication.
- 6.2 Should any member of the Committee wish to attend a meeting through electronic communications, prior arrangements shall be made with the secretary of the Committee.
- 6.3 Other than members of the Committee, the Chief Financial Officer of the Company and/or his delegate(s), the Director of Corporate Internal Audit and/or his delegate(s), or representative(s) of the external auditor shall normally attend meetings, but they cannot vote or be counted towards the quorum for any matter to be resolved by the Committee.
- 6.4 At least once a year the Committee shall meet with the external and internal auditors without the presence of any Executive Director or member of the executive management. For avoidance of doubt, no minutes for the meeting as stated in this Clause shall be mandatory.

7. NOTICE OF MEETINGS

- 7.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time shall be forwarded to each member of the Committee, and to any other person required to attend:
- (a) in relation to all regular meetings of the Committee, at least 7 calendar days before the date of the meeting; and
 - (b) in relation to all other meetings of the Committee, within a reasonable time prior to the date of the meeting.
- 7.3 Supporting papers of meetings shall be sent to Committee members and to other attendees, as appropriate, within a reasonable time before the holding of the meeting.
- 7.4 Each member of the Committee shall be entitled, by notice to the secretary of the Committee, to include other matters relevant to the functions of the Committee in the agenda of a Committee meeting.

8. MINUTES OF MEETINGS

- 8.1 The secretary of the Committee (or his delegate) attending the meetings of the Committee shall minute in sufficient detail the proceedings and resolutions of all such meetings. The minutes should also include any concerns raised by any member of the Committee and/or dissenting views expressed.
- 8.2 Draft minutes of each meeting shall be sent to the Committee members present at the meeting for comments within a reasonable time after the meeting.
- 8.3 A final version of the minutes of each meeting shall be sent to the Committee members present at the meeting for signature and shall be copied to each other member absent from the meeting for reference, attention and/or follow up.
- 8.4 Minutes of the meetings shall be kept by the secretary of the Committee and shall be available for inspection by any member of the Committee or Director at any reasonable time on reasonable notice.

9. WRITTEN RESOLUTIONS

- 9.1 Save for any matter constituting a connected transaction of the Company under the Hong Kong Listing Rules and requiring approval of the shareholders at general meeting or any matter a substantial shareholder or a Director of the Company having a conflict of interest which the Board has determined to be material, a resolution in writing signed by a majority of 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 provided that:
- (a) the members signing the resolution are sufficient to constitute a quorum; and
 - (b) a copy of such resolution has been given or the contents thereof communicated to all the members before the resolution becomes valid.

10. ANNUAL GENERAL MEETING

- 10.1 The chairman of the Committee shall, or in the event the chairman is not available, another member of the Committee shall, attend the Annual General Meeting of the Company and be prepared to respond to any Shareholder questions on the Committee's activities.

11. DUTIES

11.1 The Committee shall have the following duties:

- (a) to make recommendations to the Board on the appointment, re-appointment 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 its 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;
- (c) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences, and to ensure co-ordination where more than one audit firm is involved;
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services and to report to the Board, identifying and making recommendations on any matter where action or improvement is needed;
- (e) to review and monitor the integrity of the Company's interim and annual financial statements, reports and accounts, and to review significant financial reporting judgements contained in them, before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting,

and regarding the above, members of the Committee shall liaise with the Board, the Chief Financial Officer of the Company and the senior management of the Company and the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Chief Financial Officer or auditors of the Company;

- (f) to review the Company's financial controls, risk management and internal control systems at least annually and the review should cover all material controls, including financial, operational and compliance controls;
- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, and such discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;

- (i) to review the internal audit programme, 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 external auditor to management about accounting records, financial accounts or systems of control and the 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 herein and, in particular, the matters required to be performed by the Committee under the Hong Kong Listing Rules;
- (n) to review whistleblowing policy(ies) or arrangements established for employees of and/or those who deal with the Group who may, in confidence, 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;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (p) to oversee, monitor and observe the Company's corporate governance matters with reference to the Company's terms of reference for corporate governance functions; and
- (q) to deal with matters delegated by the Board from time to time.

12. REPORTING RESPONSIBILITIES

- 12.1 The chairman of the Committee shall, at appropriate time intervals, report formally to the Board at the regular meetings of the Board on all matters within its duties and responsibilities.
- 12.2 The Committee shall make recommendations to the Board that it deems appropriate on any area within its remit where action or improvement is needed.
- 12.3 Where the Board disagrees with the Committee's views on the selection, appointment and resignation or dismissal of the external auditor, the Committee shall prepare a statement, for inclusion in the Company's published report, explaining its recommendations. The Committee shall also ensure the Board will include in the same report the reason(s) why the Board takes a different view.

13. OTHERS

- 13.1 The Committee shall have access to sufficient resources in order to discharge its duties. In the event that the Committee determines that it has insufficient resources, it may make a request for additional resources to the Chief Financial Officer of the Company. If the request for additional resources is denied, the Committee may, if it chooses, make a request to the Board through the Company Secretary. The Board shall convene a Board meeting as soon as reasonably practicable to consider the request.

- 13.2 All members of the Committee shall have access to the advice and services of the secretary of the Committee with a view to ensuring that procedures of the Committee and all applicable rules and regulations are followed.
- 13.3 In the event that the Committee or any member of the Committee requires access to independent professional advice in connection with its/his duties, the Committee or its member(s) may make a request. All such requests shall be processed in accordance with the Company's pre-defined guidelines for seeking independent professional advice.
- 13.4 At the expense of the Company, every newly appointed member of the Committee shall be given a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities as a member of the Committee.
- 13.5 Every member of the Committee shall give sufficient time and attention to his duties as a member of the Committee. He shall give the Company the benefit of his skills and expertise through regular attendance and active participation.
- 13.6 The Committee shall, from time to time, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

14. AUTHORITY AND AMENDMENT

- 14.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any officer or executive of the Company and all officers and executives are directed to co-operate with any reasonable request made by the Committee.
- 14.2 Any change to these terms of reference shall be subject to the approval of the Board.