

# **Terms of Reference of the Audit Committee of the Board of Directors of China International Capital Corporation Limited**

## **Chapter I General Provisions**

**Article 1** In order to improve and standardize the meeting and decision-making procedures of the audit committee (the “**Audit Committee**”) of the board of directors of China International Capital Corporation Limited (the “**Company**”) and improve the work efficiency and decision-making capability of the Audit Committee, these terms of reference of the Audit Committee (these “**Rules**”) are formulated pursuant to the *Company Law of the People’s Republic of China*, the *Securities Law of the People’s Republic of China*, the *Regulation on the Supervision and Administration of Securities Firms*, the *Rules for Governance of Securities Firms*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (hereinafter referred to as the “**Hong Kong Listing Rules**”) and other relevant laws, regulations, regulatory documents, and provisions of securities regulators and stock exchanges in the places where the Company’s shares are listed, as well as the *Articles of Association of China International Capital Corporation Limited* (hereinafter referred to as the “**Articles of Association**”) with reference to the Company’s actual situation.

**Article 2** The Audit Committee is a specialized working body under the board of directors. It shall be accountable to the board of directors, perform the powers and duties in accordance with relevant laws and regulations, and the authorization of the board of directors, and submit its work reports to the board of directors.

## **Chapter II Composition**

**Article 3** Members of the Audit Committee shall be independent from the ordinary course of operation and management of the Company in principle. The Audit Committee shall comprise three (3) or more non-executive directors, more than half of whom shall be independent non-executive directors, and at least one of the independent non-executive directors shall have appropriate professional qualifications or accounting or related financial management expertise as required by the securities regulators and stock exchanges in the places where the Company’s shares are listed.

The Audit Committee shall have one (1) chairman who shall be an independent non-executive director specializing in accounting. The main duties of the chairman are as follows:

- (I) To convene regular and extraordinary meetings of the Audit Committee;
- (II) To preside over the meetings of the Audit Committee;
- (III) To supervise and inspect the implementation of resolutions of the Audit Committee;
- (IV) Other duties authorized by the board of directors and the Audit Committee.

**Article 4** The candidates for the chairman and other members of the Audit Committee shall be approved by the board of directors.

**Article 5** Members of the Audit Committee shall be elected for a term of office equivalent to that of the directors. They may serve consecutive terms if re-elected. Any member of the Audit Committee who ceases to be a director or who acts as an independent non-executive director but ceases to have his/her independence as required by the laws, regulations, regulatory documents, provisions of securities regulators and stock exchanges in the places where the Company's shares are listed or the Articles of Association shall automatically cease to be a member of the Audit Committee. The board of directors shall fill the vacancy according to the Articles of Association and these Rules if the number of the members of Audit Committee fails to meet the requirements specified in Article 3 herein.

### **Chapter III Duties and Functions**

**Article 6** The specific functions of the Audit Committee are as follows:

- (I) To make recommendations to the board of directors on the appointment, re-appointment, non-renewal, removal and change of the external auditor, and on the remuneration and terms of engagement of the external auditor;
- (II) To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (III) To develop and implement policies on engaging the external auditors to supply non-audit services, and to review and monitor the provision of such non-audit services by the auditors. The Audit Committee shall report to the board of directors any matters where action or improvement is considered necessary, and make recommendations on steps that could be adopted in this regard. For this purpose, the "external auditor" shall include 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;
- (IV) To review the financial information of the Company and the disclosure thereof; to monitor the truthfulness, accuracy and integrity of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these statements and reports before submission to the board of directors, the Audit Committee should focus particularly on:
  - 1. any changes in accounting policies and practices;
  - 2. major judgmental areas;
  - 3. significant adjustments resulting from audit;
  - 4. the going concern assumptions and any qualifications;

5. compliance with accounting standards; and
  6. compliance with the listing rules of the place of listing and other legal requirements in relation to financial reporting;
- (V) regarding (IV) above:
1. the Audit Committee should liaise with the board of directors and senior management of the Company, and must meet, at least twice a year, with the Company's auditors; and
  2. 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 function, internal auditors, compliance officers or external auditors;
- (VI) To review the Company's financial controls and internal control systems;
- (VII) To discuss the internal control system with management to ensure that management has performed its duty to establish an effective internal control system, the discussion of which should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (VIII) To consider major investigation findings on internal control matters and the management's response to these findings, on its own initiative or as delegated by the board of directors;
- (IX) To be responsible for communications between internal and external auditors, 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, to review the annual internal audit plan of the Company, to listen to the examination and supervision report on internal control and self-evaluation report on the internal control system, to review the annual working report of the internal audit department, to guide the auditing methods and procedures of the internal audit department, to review and monitor the effectiveness of the internal audit function, and to oversee the Company's internal audit system and its implementation;
- (X) To review the financial and accounting policies and practices of the Company;
- (XI) 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;

- (XII) To ensure that the board of directors will provide a timely response to the issues raised in the external auditor's management letter;
- (XIII) To review arrangements employees of the Company can use to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions, and should act as the key representative body between the Company and the external auditor for overseeing the Company's relations with the external auditor;
- (XIV) To meet with the external auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise;
- (XV) To report to the board of directors on matters specified in code provision C.3.3 of Appendix 14 to the Hong Kong Listing Rules (as amended from time to time), and to report to the Board on the resolution or recommendation of the Audit Committee unless otherwise specified in laws or regulatory regulations; and
- (XVI) To perform other duties stipulated in the relevant laws, regulations and provisions of securities regulators and stock exchanges in the places where the Company's shares are listed and as authorized by the board of directors.

**Article 7** The Audit Committee may engage external professionals to provide services, and the reasonable expenses incurred shall be borne by the Company.

#### **Chapter IV Convening and Notice of Meetings**

**Article 8** Meetings of the Audit Committee include regular meetings and extraordinary meetings. Regular meetings should be convened at least four times a year, and extraordinary meetings may be convened at the decision of the chairman of the Audit Committee or request of two or more Audit Committee members. Meetings shall be convened and presided over by the chairman; if the chairman cannot convene and attend a meeting in person, he/she may appoint another independent non-executive director member to convene and preside over the meeting.

**Article 9** The meeting shall be held by way of physical meeting, video, telephone or deliberation in writing, and may also be held in the form of a combination of physical meeting and other forms as set out above.

Where the meeting is not held by way of physical meeting, the number of the members who attend the meeting shall be counted according to the members present via videoconference or members proposing comments in the conference call or faxes or emails or other valid votes in writing actually received within a prescribed time limit, or written confirmation letters stating the attendance of the meeting submitted by members after the meeting.

**Article 10** In principle, a written notice shall be given to each member five (5) days before the Audit Committee meeting is convened, but such notice period may be waived upon the consent of two-thirds or more of the members.

**Article 11** Notice of the meeting shall include the following:

- (I) venue, time and manner of the meeting;
- (II) convener of the meeting;
- (III) agenda and topics of the meeting;
- (IV) date of dispatch of the notice;
- (V) the name and contact information of the contact person of the meeting.

**Article 12** Notice of the meeting shall be delivered by hand, registered mail, fax, email or by other means.

## **Chapter V Rules of Procedure and Voting Procedures**

**Article 13** The meeting shall only be held when two thirds or more of all members of the Audit Committee are present. Each committee member shall have one (1) vote. An effective resolution shall be approved by more than half of all members of the Audit Committee. Where equal numbers of votes are cast for and against a resolution, the chairman shall have right to cast one more vote.

**Article 14** If the Audit Committee considers necessary, it can request other persons who are related to the topics of the meeting to attend the meeting, brief the committee or express their opinions, but the persons who are not members of the Audit Committee do not have rights to vote for the proposals.

**Article 15** The voting methods at a meeting of the Audit Committee are as follows: vote by poll in writing or vote by a show of hands (or voice vote). The meeting held by way of physical meeting shall adopt the method of voting by poll in writing or voting by a show of hands (or voice vote). The meeting held via video or telephone may adopt the method of voting by a show of hands (or voice vote), but members who attend the meeting shall record the vote in writing as soon as possible, and submit their votes with signatures to the Audit Committee. A meeting held by way of deliberation in writing shall adopt the method of voting by poll in writing, and members who vote shall also submit votes with signatures to the Audit Committee as soon as possible.

**Article 16** In principle, the Audit Committee shall not consider any ad hoc proposals or matters which are not set out in the notice of meeting. If an ad hoc proposal or matter is added under special circumstances, it may only be considered and resolved with the consent of two-thirds or more of all the members.

## **Chapter VI Resolutions and Minutes of Meetings**

**Article 17** After the prescribed number of effective votes are obtained for a proposal, a motion shall be passed as an Audit Committee resolution upon announcement by the chairman of the meeting. Resolutions of the Audit Committee shall come into force after being signed by the members present at the meeting.

**Article 18** Written minutes shall be made for the meetings of the Audit Committee, and shall be signed by the members present at the meeting and by the recorder. Members present at the meeting are entitled to require explanatory records of their comments made during the meeting in the minutes.

**Article 19** Written documents and meetings minutes of the Audit Committee shall be kept by the Company as corporate files for at least twenty (20) years during the existence of the Company.

**Article 20** After a resolution of the Audit Committee is formed, if it is required to be submitted to the board of directors for consideration, the chairman of the committee shall be responsible for submitting such resolution to the board of directors in a timely manner.

## **Chapter VII Miscellaneous**

**Article 21** Unless otherwise specified, terms used in these Rules shall have the same meanings as those defined in the Articles of Association.

**Article 22** These Rules are approved by the board of directors and shall become effective as of the date of the initial public offering and listing of the RMB ordinary shares (A shares) of the Company on the Shanghai Stock Exchange. Any amendments to the Rules shall be proposed by the Audit Committee and submitted to the board of directors for consideration, and shall become effective upon the approval of the board of directors.

**Article 23** Where any matters are not covered by these Rules or are in conflict with any laws, regulations, regulatory documents, provisions of securities regulators and stock exchanges in the places where the Company's shares are listed or the Articles of Association promulgated or amended after the Rules become effective, such laws, regulations, regulatory documents, provisions of securities regulators and stock exchanges in the places where the Company's shares are listed and the Articles of Association shall prevail.

**Article 24** The authority of interpretation of these Rules shall be vested with the board of directors.

(In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.)