



**China Cinda Asset Management Co., Ltd.\***

**中國信達資產管理股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

## **Terms of Reference of the Audit Committee of the Board of Directors of China Cinda Asset Management Co., Ltd.**

### **Chapter 1 General Provisions**

**Article 1** In order to improve the internal control and audit system, strengthen the audit and supervision of the board of directors on internal control and financial information, and protect the interests of all the shareholders of China Cinda Asset Management Co., Ltd. (the “Company”), the audit committee of the board of directors is established and these terms of reference are formulated in accordance with relevant laws, regulations, regulatory documents, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), the Articles of Association of China Cinda Asset Management Co., Ltd. (the “Articles of Association”) and the procedural rules of the meetings of the board of directors of China Cinda Asset Management Co., Ltd. (the “Procedural Rules of Board Meetings”).

**Article 2** The audit committee is a specific working body established by the board of directors. It is mainly responsible for reviewing the internal control system and its implementation, internal audit work and the implementation of internal audit system of the Company, providing advices on the appointment of the external auditor and supervising the relationship between the external auditor and the Company, reviewing the financial information of the Company and making judgments on the authenticity, completeness and accuracy of the financial information.

**Article 3** The audit committee shall be accountable and report to the board of directors.

### **Chapter 2 Composition**

**Article 4** The audit committee shall consist of at least three non-executive directors, the majority of which shall be independent directors.

The members of the audit committee shall have professional financial or legal expertise in line with their duties, and at least one member, who shall be an independent director, shall have appropriate professional qualifications in compliance with regulatory requirements or appropriate accounting or related financial management expertise.

\* For identification purposes only.

A former partner of the auditing firm acting as the existing external auditor of the Company should 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:

- (1) to be a partner of the firm; or
- (2) to have any financial interest in the firm,

whichever is later.

**Article 5** The chairman and other members of the audit committee shall be proposed and elected by the board of directors in accordance with the procedures set out in the Articles of Association.

**Article 6** The audit committee shall have one chairman, who is acted by an independent director, to be in charge of the work of the audit committee.

**Article 7** The audit committee shall have the same term of office as the board of directors. A member of the audit committee may serve consecutive terms if re-elected upon the expiration of his or her term. If any member ceases to hold office as a director of the Company during the term, such director shall lose his or her position as a member of the audit committee accordingly.

**Article 8** If any member of the audit committee fails to satisfy the provisions of Articles 4 and 6 of these terms of reference, the board of directors shall make an announcement to disclose the details and reasons of such failure in accordance with the requirements of the securities regulatory authority of the place where the shares of the Company are listed, and appoint a new member to fill the vacancy in accordance with the provisions of Articles 4 to 6 of these terms of reference within three months commencing from the date of such failure.

### **Chapter 3 Primary Duties**

**Article 9** The primary duties of the audit committee are:

- (1) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
- (2) to review the financial information and relevant disclosure of the Company:
  - 1. The audit committee shall supervise the preparation, audit and disclosure of financial reports and other relevant works of the Company. In accordance with the accounting standards applicable to the Company and relevant laws and regulations, it shall review and analyze the compliance, risks and the relevant follow-up measures in all the major stages varying from the preparation to the disclosure of financial reports of the Company. It shall maintain close communication with the management and internal and external auditors, including having meetings with the external auditor of the Company at least twice a year, to provide opinions and recommendations based on its review, and report to the board of directors;

2. The audit committee shall review the financial statements, annual reports and accounts, interim reports, agreed procedures, audit reports and other relevant information of the Company. It shall review the significant opinions regarding financial reports contained in the financial statements and reports, and provide opinions on the completeness, accuracy and authenticity of preparation and disclosure of the financial reports of the Company;
  3. In reviewing financial reports before submission to the board of directors, the audit committee shall focus particularly on: the basis of and any changes in accounting policies, major judgmental areas, significant adjustments resulting from audit, the going concern assumptions, any qualified opinions issued by the external auditor, compliance with the accounting standards and the requirements regarding financial reporting of laws, regulations and the Hong Kong Listing Rules;
  4. The audit committee shall consider significant or unusual items that are, or may need to be, reflected in the financial reports and accounts;
  5. The audit committee shall properly consider items proposed by the officers in charge of the financial, accounting and compliance departments and the external auditor.
- (3) to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control of the Company:
1. The audit committee shall discuss with the management regarding the internal control to ensure that the management has established an effective internal control system;
  2. The audit committee shall, on its own initiative or as delegated by the board of directors, study the significant inquiry raised by external auditor to the management on accounting records, accounts or internal control system and other investigation findings related to internal control, and consider the feedback of the management.
- (4) to consider and approve the Company's audit budget, compensation of staff and appointment and removal of major officers in charge, supervise and evaluate the internal audit work of the Company and formulate medium-to-long term audit plan, annual working plan and internal audit system setting plan of the Company in accordance with the authorization of the board of directors, and report to the board of directors:
1. The audit committee shall consider and approve the Company's audit budget, compensation of staff and appointment and removal of major officers in charge according to the authorization of the board of directors;
  2. The audit committee shall ensure the internal control function is adequately resourced and has appropriate standing within the Company;
  3. The audit committee shall evaluate the effectiveness of internal audit work;
  4. The audit committee shall formulate medium-to-long term audit plan, annual working plan and internal audit system setting plan of the Company;

- (5) to propose the appointment or dismissal of the external auditor, to supervise the work of external auditor and to review the report of the external auditor to ensure that the external auditor undertakes the audit responsibilities:
1. The audit committee shall make recommendations to the board of directors on the appointment, reappointment or removal of external auditor, review the remuneration and terms of engagement of external auditor, and deal with matters in relation to the resignation or removal of external auditor;
  2. The audit committee shall monitor the external auditor's the independence and objectivity and the effectiveness of the audit process, and discuss with the external auditor on the nature and scope of audit and its obligations before the audit commences;
  3. The audit committee shall develop policy on engaging an external auditor to supply non-audit services and monitor its implementation. The audit committee should report to the board of directors, identifying and making recommendations on any matters where action or improvement is needed;
  4. The audit committee shall review the external auditor's management letter and make recommendations to the board of directors, and ensure the board of directors timely take actions in response to the matters identified by the external auditor in the management letter.
- (6) to facilitate communications and monitor the relationship between the internal audit department of the Company and the external auditor;
- (7) to monitor the non-compliance of the Company in respect of financial reporting and internal control:
1. The audit committee shall review arrangements employees of the Company can use, in confidence, to raise concerns with the audit committee 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 action;
  2. The audit committee shall establish a whistle-blowing policy for employees and those who deal with the Company to raise concerns, in confidence, with the audit committee about improprieties in any matter related to the Company.
- (8) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed as well as the requirements of the Articles of Association and Procedural Rules of Board Meetings and other matters as authorized by the board of directors.

**Article 10** The audit committee shall report its resolutions and recommendations to the board of directors, except for issues which may conflict with the general duties of the audit committee or restricted from reporting by the laws, regulations or regulatory requirements.

## **Chapter 4    Work Procedures**

**Article 11**    The office of the board of directors shall be responsible for submission of the meeting materials, meeting preparation, resolution implementation supervision and feedback, and act as the point of contact and coordination between the audit committee and the relevant departments of the Company. The relevant departments shall cooperate accordingly.

**Article 12**    The audit committee shall hold at least two regular meetings every year. Notice shall be given to all members at least five days prior to the meetings. In case of emergency, the notice may be given at any time and the chairman of the audit committee shall make an explanation in the meeting.

Meetings of the audit committee can be convened by the board of directors, the chairman of the audit committee or more than half of the members.

**Article 13**    Prior to the meeting, a notice of the meeting shall be given to all members and others who shall attend the meeting as observers. A notice of the meeting shall generally include:

- (1) the venue, time and form of the meeting;
- (2) the convener of the meeting;
- (3) the agenda of the meeting;
- (4) the date of the notice;
- (5) the contact person of the meeting and the contact information.

If the meeting materials are delivered after the notice, the Company shall provide sufficient time for the members to study the relevant information.

**Article 14**    Meetings may be convened by way of onsite meeting or written resolution. Telephone conference or video conference systems may be provided for convenience of the members to attend onsite meetings. The members shall be deemed as attending the onsite meeting in person if attending by the aforesaid means.

**Article 15**    A meeting shall be convened and presided over by the chairman of the audit committee. Where the chairman is unable to perform his or her duties, he or she may appoint another member, who shall be an independent director, to perform the duties on his or her behalf.

**Article 16**    Quorum of the meeting shall be more than half of all members. The members shall attend the meeting in person. Where a member is unable to attend a meeting for any reason, he or she may appoint another member by a written power of attorney to attend the meeting on his or her behalf. The power of attorney shall set out the name of the proxy, subject matters of representation, scope of authorization and the valid period, with the signature or seal of the appointer and the proxy.

Members attending the meeting as proxy for others shall submit the written power of attorney before the meeting and exercise their rights within the scope of authorization. If a member appoints another member to attend the meeting on his or her behalf, he or she solely shall be held legally responsible for the decisions made by the proxy within the scope of authorization.

**Article 17** Voting in the meeting of the audit committee may be conducted by a show of hands or open ballot. Each member shall have one vote. If directors attending by means of telephone conference or video conference are unable to sign the written resolutions instantly, they shall vote orally and complete the signing procedures on the written resolutions as soon as possible. The resolution signed thereafter shall be consistent with the result of oral votes during the meeting. Resolutions of the meeting must be passed by more than half of all members.

**Article 18** Where the audit committee deems necessary, it may invite the directors, supervisors, senior management and related department officers who are not members of the audit committee to attend the meeting. The list of such attendees shall be subject to the prior approval of the chairman of the audit committee.

**Article 19** The audit committee shall keep full records for the minutes of the meeting, which shall be signed by the members present at the meetings and the recorder. The minutes shall contain sufficient details of the issues considered and the decisions made in the meeting, including the concerns and dissenting opinions expressed by all members. The draft of the final minutes shall be circulated to all members for review within five working days after the meetings, and the member who requests for amending or supplementing the minutes shall provide his or her comments in writing within three working days upon the receipt of the minutes.

The office of the board of directors is responsible for preparing meeting summaries based on the minutes. Meeting summaries and final minutes signed by all members attending the meetings shall be kept as permanent company archives by the office of the board of directors in accordance with the archive management system of the Company.

Such records shall be made available for inspection within reasonable time by any director who has given reasonable notice.

**Article 20** Members of the audit committee and other persons attending the meetings shall keep confidential all matters discussed at the meetings. Unauthorized disclosure of relevant information is prohibited.

**Article 21** Where necessary, the audit committee may engage external experts or intermediaries for independent and professional advice on its decision-making, and the reasonable expenses thereof shall be borne by the Company.

**Article 22** The audit committee shall maintain regular communications with the board of directors and the senior management. The senior management shall be responsible for timely providing sufficient and proper information to the audit committee to make informed decisions. The audit committee and its members may make further enquiries and have separate and independent access to the senior management where necessary.

## **Chapter 5   Supplementary Provisions**

**Article 23**   In these terms of reference, the meaning of “no less than” and “at least” includes the number itself, while “more than” excludes the number itself.

**Article 24**   These terms of reference shall be effective from the date when the shares of the Company first commence public offering and listing upon the approval of the board of directors.

**Article 25**   These terms of reference shall be published on the websites of the Company and the stock exchanges at the places where the shares of the Company are listed.

**Article 26**   For any matters that are not covered in these terms of reference, or in the case of any contradictions between these terms of reference and the provisions of the relevant laws, regulations, regulatory documents, Articles of Association and Procedural Rules of Board Meetings, the latter shall prevail.

**Article 27**   The power of interpretation of these terms of reference shall be vested in the board of directors of the Company.