



## **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)*

**(Stock Code: 01359 and 04621 (Preference Shares))**

## **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 the Company Law of the People’s Republic of China (the “Company Law”), 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 Rules of Procedures of the Meetings of the Board of Directors of China Cinda Asset Management Co., Ltd. (the “Rules of Procedures of Board Meetings”).

**Article 2** The audit committee is a specific working body established by the board of directors. The audit committee shall perform duties in accordance with laws and regulations, regulatory requirements, the Articles of Association and these terms of reference, and exercise the powers and functions of the board of supervisors as prescribed by the Company Law.

### **Chapter 2 Composition**

**Article 3** The audit committee shall consist of at least three non-executive directors, of which the majority shall be independent directors. An employee director may serve on the audit committee.

The members of the audit committee shall have the expertise and work experience in a certain area such as finance, auditing, accounting or law commensurate 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.

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.

If the resignation of an audit committee member renders the members of the audit committee fewer than the statutory minimum or a shortage of accounting professionals, the existing member shall continue to perform his/her duties in accordance with the laws, regulations, regulatory documents, the Articles of Association and the provisions of these terms of reference till a new member takes his/her office.

**Article 4** 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 5** The audit committee shall have one chairman, who is acted by a qualified accounting professional among the independent directors, to be in charge of the work of the audit committee. The chairman shall work in the Company for at least 20 working days each year.

**Article 6** 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 7** 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 8** 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 Company's financial affairs and to review the financial information and relevant disclosure of the Company:
  1. The audit committee shall supervise the financial reporting system, 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 and risk management of the Company:
1. The audit committee shall discuss with the management regarding the internal control to ensure that the management has established an appropriate and effective internal control system;
  2. The audit committee shall review the effectiveness of the risk management system, internal control system and internal audit function of the Company and its subsidiaries at least once a year, covering all significant aspects including financial monitoring, operation monitoring and compliance monitoring, and report the annual review results to the board of directors. The audit committee shall review the corporate governance report to ensure the disclosed content complies with the relevant requirements of the Corporate Governance Code under Appendix C1 of the Hong Kong Listing Rules;
  3. 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, risk management or internal control system and other investigation findings related to internal control, consider the feedback of the management, provide comments and suggestions for improvement, and supervise the rectification of internal control defects.

- (4) to consider and approve the Company's internal 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 internal 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 accounting, internal audit and financial reporting functions are adequately resourced (including the qualifications, experience and trainings for employees and budgets) and have 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 accounting firm engaged to perform regular statutory audit of the Company's financial reports (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 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 takes 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 regarding: 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 submit opinions to the board of directors on changes in accounting policies or estimates, or on the correction of material accounting errors, when such changes are not attributable to amendments in accounting standards;
- (9) to propose the appointment or dismissal of the Company's chief financial officer to the board of directors;
- (10) to oversee the conduct of directors and senior management in the performance of their duties, and propose the removal of any director or senior management member who violates laws, administrative regulations, the Articles of Association, or resolutions of the shareholders' meeting;
- (11) to demand rectification from any director or senior management member whose actions have harmed the interests of the Company;
- (12) to initiate legal proceedings against directors or senior management pursuant to the relevant provisions of the Company Law;
- (13) to propose the convening of an extraordinary shareholders' meeting, and to convene and preside over a shareholders' meeting when the board of directors is unable to perform its duties of convening and presiding over such meetings as stipulated in the Articles of Association;
- (14) to submit proposals to the shareholders' meeting; and
- (15) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authorities of the place where the shares of the Company are listed as well as the requirements of the Articles of Association and the Rules of Procedures of Board Meetings and other matters as authorized by the board of directors.

**Article 9** The audit committee shall report its resolutions and recommendations to the shareholders' meeting and the board of directors in accordance with the Articles of Association and the requirements of these terms of reference, 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 10** 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 11** The audit committee may formulate annual work plans and hold meetings regularly. The audit committee shall hold at least one regular meeting every quarter. 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.

Extraordinary 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 12** 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 13** 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 14** 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, one independent director shall be appointed to exercise the duties on his/her behalf. Where the chairman fails to appoint another member or the member so appointed is unable to perform his/her duties, one independent director shall be elected by more than half of the members to exercise the duties on his/her behalf.

**Article 15** 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 16** 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. In case of any inconsistency between such resolutions signed and the result of the oral votes, the result of the oral vote shall prevail. Resolutions of the meeting must be passed by more than half of all members.

**Article 17** Where the audit committee deems necessary, it may invite the directors, 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 18** 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 19** 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 20** Where necessary, the audit committee may engage external experts or intermediaries for independent and professional advice on its decision-making, and the reasonable expenses incurred from the exercise of duties by the audit committee shall be borne by the Company.

**Article 21** 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.

**Article 22** The senior management, departments or relevant organizations shall be responsible for the specific implementation of matters resolved by the audit committee, and the office of the board of directors shall be responsible for tracking the progress of such matters.

**Article 23** A recusal system shall be implemented for meetings of the audit committee. When a member of the audit committee has an interest in a matter under consideration, such member shall abstain from voting on such matter. Where the audit committee is unable to form an effective deliberation opinion due to the recusal of its members, the relevant matter shall be directly deliberated by the board of directors.

## **Chapter 5 Supplementary Provisions**

**Article 24** 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 25** These terms of reference shall be effective upon the approval of the board of directors.

**Article 26** 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 27** 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 Rules of Procedures of Board Meetings, the latter shall prevail.

**Article 28** The power of interpretation of these terms of reference shall be vested in the board of directors of the Company.