



CHINA INVESTMENT AND FINANCE GROUP LIMITED

中國投融資集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1226)

(the “Company”)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (the “Committee”)

(Adopted on 30 March 2012 and amended on 1 April 2016 and 31 December 2018)

Membership

1. The Committee shall be appointed by the board of directors of the Company (the “**Board**”) from independent non-executive directors of the Company and shall consist of not less than three members, at least one of whom shall be an independent non-executive director (“**INED**”) with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
2. The Chairman of the Committee shall be appointed by the Board and shall be an INED.
3. The appointment of the members of the Committee may be revoked and new members can be appointed in their stead by resolutions passed by the Board and by the Committee respectively.
4. No alternate member of any member of the Committee can be appointed.
5. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Company’s audit committee for a period of two years from the date of his/her ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

Attendance at Meetings

6. The Chief Financial Officer of the Company (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors of the Company shall normally attend meetings of the Committee. Other members of Board may be invited to attend a particular meeting in order to answer specific points or concerns of the Committee. Where an internal audit function exists, the head of internal audit should normally attend meetings. At least once a year the Committee shall meet with the external and internal auditors (if any) without any executive directors present.

Secretary

7. The Company Secretary of the Company shall be the secretary of the Committee. In the absence of the Company Secretary, his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee, shall attend the meeting of the Audit Committee and take minutes.

Frequency and Proceedings of Meetings

8. Meetings shall be held not less than twice a year. Additional meetings should be held as and when the work of the Committee demands.
9. The Chairman of the Committee may convene additional meetings at his/her discretion.
10. The Audit Committee shall meet with the external auditors at least twice a year. The external auditors may request a meeting with the Committee if they consider it necessary.
11. The quorum of a meeting shall be two independent non-executive directors.
12. Proceedings of meetings of the Committee shall be governed by the relevant provisions of the Articles of Association of the Company (as amended from time to time).

Responsibilities and Authorities

13. The responsibilities and authorities of the Audit Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 of the Listing Rules (as amended from time to time).
14. All members of the Committee shall have access to the advice and services of the Company Secretary, and separate and independent access to the Company’s senior management for obtaining necessary information.
15. The Committee shall report to the Board on any suspected fraud and irregularities, failures of internal control or suspected breaches of laws, rules and regulations which come to its attention in relation to the matters set out in these terms of reference and which are of sufficient importance to warrant the attention of the Board.
16. The Committee is to be provided with sufficient resources to discharge its duties.

17. The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and its subsidiaries (the “**Group**”), overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.
18. Without prejudice to any requirement under the CG Code, the Committee is to:

Relationship with the Company’s auditor

- (a) be the key representative body for overseeing the Company’s relations with the external auditors, and 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 any questions of its resignation or dismissal;
- (b) review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit process commences;
- (c) develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, “external auditor” includes 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. The 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) 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 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) the members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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) 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) 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) 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) review the Group's financial and accounting policies and practices;
- (k) 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) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) review annually the external auditors' fees which have been negotiated with management of the Company;
- (n) review the extent of any non-audit services provided by the external auditors and consider whether the provision of such services will impair their independence or objectivity;

- (o) evaluate the level of cooperation provided by the Company to the external auditors, including their access to all requested records, data and information; obtain comments from management of the Company regarding the responsiveness of the external auditors to the Group's needs; make enquiries with the external auditors as to whether there has been any disagreements with management of the Company which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (p) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (q) meet with the external auditors of the Company, at least annually, in the absence of the management of the Company, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise;

Reporting Procedures

- 19. The Committee should report to the Board on a regular basis on its decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 20. Minutes of the meetings of the Committee shall be kept by the secretary of the Committee, who shall send draft and final versions of minutes of meetings and all written resolutions of the Committee to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

In the case of any inconsistency, the English text of the Terms of Reference of the Audit Committee shall prevail over the Chinese text.