

CIMC ENRIC

CIMC Enric Holdings Limited

中集安瑞科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3899)

Terms of Reference of Audit Committee

Composition

1. The Committee shall be appointed by the Board from amongst the Non-executive Directors and shall consist of at least three members among whom at least one shall be an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise pursuant to rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
2. A majority of Committee members (that is, not less than two-third of the members) shall be Independent Non-executive Directors.
3. The chairman of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director.
4. The term of office of each Committee member is subject to the articles of association of the Company.
5. The appointment of a member can be terminated and a new member to fill the casual vacancy may be appointed by the Board by resolutions.
6. No alternate member shall be appointed.

Secretary

7. The Company Secretary (or in his absence, his duly appointed representative or any one member of the Committee) shall be the secretary of the Committee’s meetings.

Attendance at meetings

8. The Financial Controller of the Group (as hereinafter defined) (or other officer who carries the same scope of duties) and a representative of the external auditors shall normally attend meetings. Other Board members shall have the right of attendance to be available to address particular concern. Where an internal audit function exists, the internal audit officer shall normally attend meetings. However, the Committee shall meet the external and internal auditors (if any) at least annually in the absence of Executive Directors.
9. Only Committee members shall have the right to vote at meetings.

Frequency and procedures of meetings

10. Meetings shall be held at least twice a year. Additional meeting(s) may be held should the Committee members see fit.
11. The chairman of the Committee may convene additional meeting(s) at discretion.
12. The external auditors may also request a meeting shall they consider necessary.
13. The quorum for meetings shall be two Independent Non-executive Directors.
14. Procedures of meetings are subject to the provisions set out in the articles of association of the Company.

Annual general meeting

15. The chairman or a member of the Committee shall attend the annual general meeting of the Company to be available to answer questions in relation to the activities and responsibilities of the Committee.

Authority

16. The Committee is authorised to investigate any activity within its terms of reference and all employees shall cooperate with any request made by the Committee.

17. The Committee is authorised by the Board to have access to independent professional advice (if necessary), at the Company's expense, to perform its responsibilities and invite external parties with relevant experience and expertise to attend meetings (if necessary).
18. The Committee shall report to the Board any suspected fraud or misfeasance, disorder of internal controls and any suspected breach of law, rules or regulations.
19. The Committee shall be provided with sufficient resources to perform its duties.

Responsibilities

20. The Committee acts as a communication platform between other Directors, external auditors and internal auditors (if any) with regard to financial or other reporting matters, internal controls, external and internal audit, and other financial or accounting issues as the Board may determine from time to time.
21. The Committee shall assist the Board to conduct an independent review of the effectiveness of financial reporting procedures, the internal control system and risk management system of the Company and its subsidiaries (collectively, the "Group"), to review the course of audit and to discharge any other duties designated by the Board.

Duties, power and functions

22. The duties, power and functions of the Committee include the followings:

Relationship with the external auditors of the Company

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditors' independence and objectivity;
- (c) to review the effectiveness of the audit process in accordance with applicable standards;
- (d) to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

- (e) to 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;
- (f) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (g) to act as the key representative body for overseeing the Company’s relations with the external auditors;

Review of the Company’s financial information

- (h) to 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 other legal requirements in relation to financial reporting;
- (i) Regarding (h) above:-
 - (i) 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 external 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

- (j) to review the Company's financial control, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Group's risk management and internal control systems;
- (k) to 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;
- (l) to 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;
- (m) 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;
- (n) to review the Group's financial and accounting policies and practices;
- (o) to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- (p) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (q) to report to the Board on the matters in this terms of reference;
- (r) to consider other topics, as defined by the Board from time to time; and
- (s) to review arrangements employees of the Company can use, in confidence, to 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.

Reporting procedures

23. The Committee shall report to the Board after each meeting.
24. The secretary of the Committee's meetings shall send to all members of the Committee the draft and final versions of minutes of Committee meetings and of all written resolutions for their comment and records, within a reasonable time after the meeting. The secretary should also regularly report to the Board on the activities of and resolutions and proposals made by the Committee.
25. The chairman of the Committee shall report to the Board on the Committee's findings and recommendations at the Board meeting immediately following a Committee meeting. The Committee shall report to the Board annually on its performance and findings.
26. The reports to the Board and minutes of the Committee meetings should be approved by the Committee before submitting to the Board.

Date of first adoption: 26 September 2005

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