

# CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

## Terms of Reference for Audit Committee

(Revised on 8 December 2009)

### Establishment

- (1) The board of directors of China Travel International Investment Hong Kong Limited (hereinafter referred to as the 'Company') resolved to establish an audit committee (hereinafter referred to as the 'Committee') under the board of directors pursuant to Article 127 of the Articles of Association of the Company.

### Membership

- (2) Members of the Committee shall be appointed out of the non-executive directors of the Company by the board of directors. The Committee shall comprise a minimum of three members. The quorum for decisions of the Committee shall be two members.
- (3) The chairman of the Committee shall be appointed by the board of directors and must be an independent non-executive director.

### Attendance at meetings

- (4) The Company's finance director, financial controller, finance manager, internal auditor and the representative(s) of the external auditors shall normally attend the Committee meetings. Other members of the board of directors may also attend meetings. However, the Committee shall meet at least once a year with the external auditors without the presence of other members of the board of directors and management.
- (5) The Company secretary act as the secretary of the Committee and in the absence of Company secretary, the Committee may appoint any other person as the secretary of the Committee in any meeting.

### Frequency of meetings

- (6) The Committee shall meet at least twice a year. Additional meetings should be held if any members of the Committee deems necessary and shall so request.

### Authority

- (7) The Committee is authorised by the board of directors to engage in any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees shall co-operate with any request made by the Committee.
- (8) The Committee is authorised by the board of directors to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary, provided that it shall first obtain the approval from the board of directors on the expenses related thereto.

### Duties

- (9) The duties of Committee shall include the following aspects:
  - a. To monitor integrity of the interim and annual financial reports (including financial statements, report of the directors, chairman's statement and management's discussion and analysis) as well as to review significant financial reporting judgments contained in them before submission to the board of directors and to report the same to the board of directors. It shall focus particularly on:
    - i. any changes in accounting policies and accounting practices;
    - ii. major judgmental areas;
    - iii. significant adjustments resulting from auditing of the accounts;
    - iv. the going concern assumptions and any qualifications;
    - v. compliance with accounting standards;
    - vi. compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relevant legal requirements.

In this regard, members of the Committee must liaise with the Company's board of directors and senior management. The Committee must meet, at least once a year, with the Company's auditors.

- b. To discuss (in the absence of management where necessary) and give due consideration to any matters (including any significant or unusual items) and doubtful parts which may be detected subsequent to auditing of the interim and final year accounts or may need to be reflected in financial reports, as well as any items the auditors and the Company's staff responsible for the accounting and financial reporting function may wish to discuss;
- c. Oversight of the Company's financial reporting system and internal control procedures, the Committee shall:
  - i. review the Company's financial controls, internal control and risk management systems;
  - ii. discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
  - iii. consider any findings of major investigations of internal control matters as delegated by the board of directors or on its own initiative and management's response;
  - iv. ensure co-ordination between the internal auditors and external auditors, and to ensure that the internal audit function is adequately resourced, and to review and monitor the effectiveness of the internal audit function;
  - v. review the group's financial and accounting policies and practices;
  - vi. review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and the management's response;
  - vii. ensure that the board of directors will provide a timely response to the issues raised in the external auditor's management letter;
  - viii. report to the board of directors on the above matters; and
  - ix. consider any other topics or matters referred by the board of directors.
- d. To consider other matters as specified by the board of directors;

- e. With regard to its relationship with the Company's external auditors, the Committee is:
  - i. to be responsible for making recommendation 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 resignation or dismissal of the external auditor;
  - ii. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences; and
  - iii. to develop and implement policy on the engagement of external auditor to supply non-audit services. The Committee shall report to the board of directors, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- f. to make enquiry regularly (e.g. every 3 months) to the management of the Company on implementation of internal control and risk management procedures, thereby ensuring the protection of the Company's assets, that precautionary measures are in place against frauds and wrongdoings, and there will be investigation to such acts, and the preparation of books and accounts that give a true and complete view, and preparation of financial information in a timely manner in accordance with the Company's policy. In this regard, the Committee may request management to submit reports in these areas for their reference.

#### Reporting procedures

- (10) The secretary of the Committee should prepare reports on the minutes and resolutions of the Committee meetings and to send the same to the Committee members for their comment. The report shall then be circulated to all members of the board of directors and to be reported and approved in the board of directors' meeting immediately thereafter.