

CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

TERMS OF REFERENCE OF AUDIT COMMITTEE

(Revised on 25 June 2012)

Establishment

1. The board of directors (the 'Board') of China Travel International Investment Hong Kong Limited (the 'Company') resolved to establish an audit committee (the 'Committee') under the Board on 29 March 1999 pursuant to Article 127 of the Articles of Association of the Company.

Membership

2. The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members. The quorum for a Committee meeting shall be two members.
3. The chairman of the Committee shall be appointed by the Board 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 may also attend meetings.
5. The Company Secretary shall be the secretary of the Committee.

Frequency of meetings

6. The Committee shall meet at least twice a year. Additional meetings should be held as the work of the Committee demands.
7. In addition, the chairman of the Committee may convene additional meetings at his discretion.

Authority

8. The Committee is authorised by the Board to investigate any activity of the Company and its subsidiaries (the 'Group') within its terms of reference and all employees are directed to cooperate with the Committee.
9. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with

relevant experience and expertise if it considers this necessary.

Duties

10. The duties of the Committee shall include:

Relationship with the Group's auditors

- (a) to act as the key representative body for overseeing the Group's relations with the external auditor;
- (b) 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;
- (c) to 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 auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) to develop and implement policy on engaging an external auditor to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Group's financial information

- (e) to monitor integrity of the Group'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 Rules Governing the Listing of Securities on The

Stock Exchange of Hong Kong Limited (the 'Listing Rules') and legal requirements in relation to financial reporting;

- (f) Regarding (e) 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 Group's auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Group's financial reporting system and internal control procedures

- (g) to review the Group's financial controls, internal control and risk management systems;
- (h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function;
- (i) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (j) 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 Group, and to review and monitor its effectiveness;
- (k) to review the Group's financial and accounting policies and practices;
- (l) to 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to review arrangements employees of the Group can use, in confidence, to

raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

Corporate Governance Functions

- (o) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (p) to review and monitor the training and continuous professional development of directors and senior management;
- (q) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (r) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (s) to review the Company's compliance with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report;
- (t) to report to the Board on above matters; and
- (u) to consider other topics, as defined by the Board.

Reporting procedures

11. The Committee shall report to the Board on a regular basis. At the next Board meeting following a Committee meeting, the chairman of the Committee shall report the findings and recommendations of the Committee to the Board.