

Revised on 1st January, 2016



CHINA INVESTMENTS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

HKEX - Stock Code : 132

**TERMS OF REFERENCE FOR THE
AUDIT COMMITTEE**

CHINA INVESTMENTS HOLDINGS LIMITED
Terms of Reference for the Audit Committee

Constitution

- 1 The Audit Committee (the “Committee”) was formed pursuant to the board resolution of **CHINA INVESTMENTS HOLDINGS LIMITED** (“the Company”) passed on 24th September, 1998.

Membership

- 2 The Committee members shall be appointed by the board of directors of the Company (the “Board”) from amongst the non-executive directors of the Company and shall consist of not less than three members, including at least one independent non-executive director with appropriate professional qualification or accounting or related financial management expertise as defined under rules 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). The majority of Committee members must be independent non-executive directors of the Company.
- 3 The chairman of the Committee shall be appointed by the Board and should be an independent non-executive director of the Company.

Attendance at meetings

- 4 Attendees shall normally include Committee’s members, the financial controller, the head of audit department, a representative of the external auditor of the Company (“the Auditor”) and those with meaningful input to the Committee’s activities. However, at least once a year the Committee shall meet with the Auditor and the head of audit department without executive directors present.
- 5 The company secretary shall be the secretary of the Committee. The secretary of the Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Committee.
- 6 A quorum of the Committee shall be two members.

Frequency of meetings

- 7 Meetings shall be held not less than twice a year. The Auditor may request a meeting if they consider that one is necessary.

Authority

- 8 The Committee is authorised by the Board to investigate any activity within its terms of

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reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request within its terms of reference made by the Committee.

- 9 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Responsibility

- 10 The Committee is to serve as a focal point for communication between other directors, the Auditor and audit department of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time.
- 11 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 system of the Company and its subsidiaries (the “Group”), overseeing the audit process, reviewing the completeness, accuracy, clarity and fairness of the Company’s financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected transactions and performing other duties and responsibilities as may be assigned by the Board from time to time.

Duties

The duties of the Committee shall be :

12 The relations with the Auditor of the Company

- 12.1 to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the Auditor and any questions of its resignation or dismissal, and to approve the remuneration and terms of engagement of the Auditor;
- 12.2 to act as the key representative body for overseeing the Company’s relations with the Auditor;
- 12.3 to review and monitor the Auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 12.4 the Committee should discuss with the Auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 12.5 to develop and implement policy on engaging an Auditor to supply non-audit services. For this purpose, “Auditor” includes any entity that is under common control, ownership or management with the Auditor or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the Auditor nationally or internationally. The Committee

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should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- 12.6 when the Auditor renders a substantial volume of non-audit services to the Group, to keep the nature and extent of such services under review, and ensure that the provision by the Auditor of non-audit services does not impair the Auditor's independence or objectivity. When evaluating the independence and objectivity of the Auditor in rendering non-audit services to the Group, the Committee should consider:
- 12.6.1 to ensure the skill and experience of the Auditor is appropriate to render such non-audit services;
- 12.6.2 to ensure any safeguard and that the provision by the Auditor of non-audit services does not impair the Auditor's independence or objectivity;
- 12.6.3 to consider the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the Auditor;
- 12.6.4 to determine remuneration policy for the individuals who rendering non-audit services.

13 Review the financial information of the Company

- 13.1 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 judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
- 13.1.1 any changes in accounting policies and practices;
- 13.1.2 major judgmental areas;
- 13.1.3 significant adjustments resulting from audit;
- 13.1.4 the going concern assumptions and any qualifications;
- 13.1.5 compliance with accounting standards; and
- 13.1.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 13.2 Regarding 13.1 above:-
- 13.2.1 members of Committee should liaise with Board and senior management and the Committee must meet, at least twice a year, with the Auditor; and

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13.2.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and 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 the Auditor.

14 Review the Company's financial controls, risk management and internal control systems

- 14.1 to review the group's financial and accounting policies and practices;
- 14.2 to review the Company's financial controls, risk management and internal control systems;
- 14.3 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an 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;
- 14.4 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;
- 14.5 to discuss problems and reservations arising from the interim review and final audits, and any matters the Auditor may wish to discuss (in the absence of management where necessary);
- 14.6 to review the Auditor's management letter, any material queries raised by the Auditor to management about the accounting records, financial accounts or systems of controls and management's response;
- 14.7 to ensure that the Board will provide a timely response to the issues raised in the Auditor's management letter;
- 14.8 to review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- 14.9 to review the audit plan and audit report of the audit department;
- 14.10 to ensure co-ordination between the audit department and the Auditor, and to ensure that the audit department is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

15 Other

- 15.1 to ensure the compliance by the Company of the requirements of the Listing Rules and applicable rules in respect of practice and procedures of connected transactions;

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- 15.2 to review this terms of reference from time to time and propose to the Board any necessary amendment is required, where appropriate;
- 15.3 to report to the Board on the matters as set out in this terms of reference of the Committee and if there is any concerns or improvement found during the monitoring process by the Committee, the Committee should raise out and suggest relevant improvement to the Board;
- 15.4 to review the whistle blowing policy: the arrangements that 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; and
- 15.5 to consider other topics, as defined by the Board.

Reporting procedures

- 16 The Committee should report to the Board on a regular basis on its decisions or recommendations and on the matters set out in these terms of reference, unless there are legal or regulatory restrictions on its ability to do so.
- 17 the chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to questions at the annual general meeting on the Committee's activities and their responsibilities.
- 18 The secretary of the Committee or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the Board.