

CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED

國開國際投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1062)

REVISED TERMS OF REFERENCE OF AUDIT COMMITTEE

Membership

1. The members of the audit committee (the “**Committee**”) of China Development Bank International Investment Limited (the “**Company**”) shall be appointed by the board of directors (the “**Board**”) of the Company from amongst the non-executive directors and shall consist of not less than three members, at least one of whom is an independent non-executive director 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 majority of the members of the Committee shall be independent non-executive directors of the Company.
3. The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.
4. The term of membership will be one year from the date of appointment subject to renewal and shall be governed by the provisions of the articles of association of the Company (the “**Articles**”).
5. The appointment of the members of the Committee may be revoked, and new member can be appointed in place by resolutions passed by the Board and by the Committee.
6. No alternate Committee member can be appointed.
7. A former partner of the existing auditing firm of the Company shall not act as a member of the Committee for a period of two years from the date of his ceasing (a) to be a partner of such firm; or (b) to have any financial interest in the firm, whichever is later.

Attendance at meetings

8. The Chief Financial Officer of the Company and its subsidiaries (the “**Group**”) (or any officer(s) assuming the relevant functions but having a different designation), a representative of the investment manager of the Company (the “**Investment Manager**”) and a representative of the external auditors shall normally attend meetings. Other members of the Board may be invited to attend a particular meeting in order to answer specific points or concerns. However, at least twice a year the Committee shall meet with the external auditors and at least one of which without the presence of the other Board members.

9. The Company Secretary of the Company shall be the secretary of the Committee.

Frequency and proceedings of meetings

10. Meetings shall be held not less than twice a year. Additional meetings should be held as and when the Committee considers necessary.

11. The chairman of the Committee may convene additional meetings at his/her discretion.

12. The external auditors may also request a meeting if they consider that one is necessary.

13. The quorum of a meeting shall be two members of the Committee.

14. Proceedings of meetings of the Committee shall be governed by the provisions of the Articles.

15. Reasonable notice should be given to all members of the Committee. Accompanying papers should be sent in full to all members of the Committee at least 3 days before the intended date of the Committee meeting.

Annual general meetings

16. The chairman of the Committee shall attend, or in his/her absence, another member of the Committee or failing this his/her duly appointed delegate, to attend, the Company's annual general meetings and be available to answer questions at such annual general meetings.

Authority

17. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Committee.

18. The Committee should be provided with sufficient resources to perform its duties.

19. The Committee is authorised to seek any information in relation to the Company from the Investment Manager, and they are directed to co-operate with any request made by the Committee.

20. The Committee is authorised by the Board to obtain outside legal or other independent professional advice if deemed required and to invite the attendance of outsiders with relevant experience and expertise if it considers necessary.

21. The Committee shall report to the Board on any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

Responsibility

22. The Committee is to serve as a focal point for communication between other directors and the external auditors as regards their duties relating to financial and other reporting, risk management, internal controls, external audits and such other financial and accounting matters as the Board determines from time to time.
23. 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 Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

Duties, powers and functions

24. The Committee is to:

Relationship with the Company's auditors

- (a) be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor, and deal with any questions of resignation or dismissal of that auditor;
- (b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report to the Board, 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;
- (d) approve the policies relating to the hiring of employees or former employees of the external auditors and monitor the application of such policies to examine whether there has been any impairment of the auditor's judgment or independence in respect of the audit;

Review of financial information of the Company

- (e) monitor integrity of financial statements of a Company and the Company's 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 this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly 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 qualification;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (f) In regard to (e) above:–
 - (i) members of the Committee must 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 such reports and accounts and must 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 system

- (g) review the Company's financial controls, risk management and internal control system;
- (h) discuss with the management the risk management and internal control systems and ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (i) consider any major investigations 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;
- (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 in respect of the 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) report to the Board on the matters set out in these terms of reference;
- (n) consider other matters, as defined by the Board;
- (o) review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (p) act as the key representative body for overseeing the Company's relation with the external auditor; and
- (q) 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;

Performing the Corporate Governance Duties of the Company

- (r) develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (s) review and monitor the training and continuous professional development of directors and senior management;
- (t) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (u) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (v) review the Company's compliance with the Corporate Governance Code as set out in the Appendix 14 of the Listing Rules and disclosure in its Corporate Governance Report;

Other Duties

- (w) perform any other duties prescribed by law, regulation and rules, as amended from time to time, which set forth obligations for the Company to comply with.

Disagreement as to external auditors

25. In the event the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report issued by the Company a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Reporting procedures

26. The Committee should report to the Board on a regular basis.
27. Full minutes of the Committee meetings should be kept by the secretary of the Committee. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. The secretary of the Committee shall circulate the minutes of meetings and all written resolutions of the Committee to all members of the Board, keeping the Board informed of the Committee's activities, decisions and recommendations on a regular basis.
28. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year. The Committee shall include in its report the weakness of the Group's internal control system.
29. Reports to the Board and minutes of the Committee should be approved by the Committee before submitting to the Board.

Terms available

30. The Committee shall make available these terms of reference explaining its roles and the authority delegated to it by the Board by including them on the Exchange's website and the Company's website.