

**CITIC 21CN COMPANY LIMITED**

中信 21 世紀有限公司\*

(the “Company”)

*(Incorporated in Bermuda with limited liability)*

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**AUDIT COMMITTEE  
TERMS OF REFERENCE**

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A. Constitution

The board of directors (the “Board”) of CITIC 21CN COMPANY LIMITED (the “Company” or “Issuer”), together with its subsidiaries (the “Group”) hereby resolves to establish a committee of the Board to be known as the Audit Committee (the “Committee”).

B. Membership

The members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company and the Committee shall consist of not less than three members, the majority of which shall be independent non-executive directors, and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management experience as required under rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

A former partner of the Issuer’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of 1 year from the date of his ceasing:

- (i) to be a partner of the firm; or
- (ii) to have any financial interest in the firm,

whichever is later.

C. Chairman and Secretary of Committee

The chairman, who must be an independent non-executive director and the

secretary of the Committee shall be appointed by the Board.

Full minutes of the Committee meetings should be kept by the secretary of the Committee. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comment and records, within a reasonable time after the meeting.

D. Quorum

A quorum shall be 2 members.

E. Frequency of Meeting

Meeting shall be held at least twice a year. The Committee members may also call any meetings at any time when necessary or desirable.

F. Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is also authorized to seek any necessary information which is within its scope of duties from the employees of the Group (including the members of the Board).

The Committee is authorized by the Board to make available its terms of reference, explaining its role and the authority delegated to it by the Board.

The Committee should be provided with sufficient resources to perform its duties and is authorized by the Board to obtain, at the Company's expense, independent professional advice.

G. Duties

The duties of the Committee shall include, but shall not be limited to the following:

***Relationship with the Issuer's auditors***

- (a) 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;

- (b) 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;
- (c) 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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

***Review of the Issuer's financial information***

- (d) to monitor integrity of the Issuer'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 legal requirements in relation to financial reporting;
- (e) In regard to (d) 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 Issuer'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 Issuer's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

- (f) to review the Issuer's financial controls, internal control and risk management systems;
- (g) 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 Issuer's accounting and financial reporting function;
- (h) 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;
- (i) 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 Issuer, and to review and monitor its effectiveness;
- (j) to review the group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the matters in this code provision;

***Miscellaneous***

(n) to review arrangements employees of the Issuer 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;

(o) to act as the key representative body for overseeing the Issuer's relations with the external auditor; and

(p) to consider other topics, as defined by the Board.

*\* For identification purposes only*