



# **CHINA MOTOR BUS COMPANY, LIMITED**

*(Incorporated in Hong Kong with limited liability)*

*(Stock code: 026)*

## **TERMS OF REFERENCE OF AUDIT COMMITTEE**

### **A. ATTENDANCE OF MEETINGS**

- (1) A representative of the external auditors shall normally attend meetings unless advised otherwise by the Committee. Other Board members shall also have the right to receive notice of Audit Committee meetings and to attend if desired. However, at least once a year the Committee shall meet with the external auditors without executive Board members or management present.
- (2) The secretary of the Committee shall be appointed by the Board.

### **B. FREQUENCY OF MEETINGS**

- (1) Meetings shall be held not less than twice a year.
- (2) The external auditors may request a meeting if they consider that one is necessary.

### **C. AUTHORITY**

The Committee is authorised to consider all matters within the scope of its duties which are in respect of the areas of relationship with the external auditors, review of financial information and oversight of the financial reporting system and internal control procedures. In connection therewith, the Committee may seek such information as it may require from any employee and, if it deems necessary, may obtain outside professional advice on relevant matters.

### **D. DUTIES**

The principal duties of the Audit Committee shall be:

- (1) to consider the appointment of the external auditors and any questions of resignation or dismissal and to approve the remuneration and terms of engagement of the external auditors;
- (2) to discuss with the external auditors, before the audit commences, the nature and scope of the external audit and reporting obligations;
- (3) to review and monitor the external auditors' independence and objectivity and effectiveness of the audit process;
- (4) to develop and implement policy on the engagement of the external auditors to supply non-audit services;
- (5) to review and give due consideration to the comments of the external auditors (in the absence of management) and to any external auditor's management letter;
- (6) to review the half-year and annual financial statements and significant financial reporting judgements and significant and unusual items therein before the Board meeting;
- (7) to review the financial controls, internal control and risk management systems and the group's financial accounting policies and practices;
- (8) to ensure that management has discharged its duty to have an effective internal control system;
- (9) to advise and report to the Board on the arrangements by which the Company's employee may, in confidence, raise concerns about possible financial improprieties; and
- (10) to consider other matters, as may be prescribed from time to time by the Board.