

**CATIC International Holdings Limited**  
**(the “Company”)**

**Terms of Reference for the Audit Committee**

*Revised pursuant to the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) effective on 1 January 2009.*

**1. Membership**

The Audit Committee (the “Committee”) shall be appointed by the board (the “Board”) of directors (“Directors”) of the Company from amongst the non-executive Directors and comprise a minimum of three members (the “Members”).

The majority of the Members should be independent non-executive Directors (“INED”) and at least one INED with appropriate professional qualifications or accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules.

The Chairman of the Committee shall be appointed by the Board and must be an INED.

**2. Meetings**

Meetings should be held not less than twice a year. The external auditor may request a meeting if he considers one is necessary.

Senior staff members of the management of the Company/Group and the external auditor shall normally attend meetings. Other Board members shall also have the right of attendance.

The Committee shall meet with the external auditor without the Executive Directors of the Board at least once a year.

A quorum shall be two Members.

**3. Authority**

The Committee is authorized by the Board to investigate any activity within the Terms of Reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee is authorized by the Board, subject to prior discussions concerning likely costs, 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.

#### 4. **Duties**

The Committee shall have the following duties:

##### *Relationship with the Company's external auditor*

- (a) to be primarily responsible for making recommendation 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 resignation or dismissal of that auditor;

*Note: Rule 13.51(4) of the Listing Rules requires an announcement to be published when there is a change of auditors. The announcement must also include a statement as to whether there are any matters that need to be brought to holders of securities of the issuer.*

- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard and to discuss with the external auditor the nature and scope of audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on the engagement of 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.
- (d) to 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;

##### *Review of financial information of the Company*

- (e) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly report (if applicable), and to review any significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly reports (if applicable) 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 the audit;
  - (iv) the going concern assumptions and any qualifications;

- (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 of the Company and the Committee must meet, at least once a year, with the Company's external 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 person occupying the same position) or external auditors;

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

- (g) to review the Company's financial controls, internal control and risk management systems;
- (h) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;
- (i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management response;
- (j) where an internal audit functions 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 the effectiveness of the internal audit function;
- (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 external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (m) to ensure that the Board will provide a timely response the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters set out in the Terms of Reference; and
- (a) to consider other topics, as defined by the Board.

5. **Reporting Procedures**

The company secretary shall be the secretary of the Committee and shall circulate the minutes of meetings of the Committee to all members of the Board.