

**CITIC LIMITED**  
**(the “Company”)**

**TERMS OF REFERENCE**  
**FOR**  
**AUDIT AND RISK MANAGEMENT COMMITTEE**

**I. General Principles**

1. The Company has established an audit and risk management committee, and formulated these terms of reference, in accordance with the Companies Ordinance of the Laws of Hong Kong, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Articles of Association of CITIC Limited (the “Articles of Association”) and other rules /regulations and regulatory documents, in order to strengthen the internal control, audit and risk management of the Company.
2. The audit and risk management committee of the Board (the “Committee”) has been established pursuant to the Board resolutions and shall be accountable to and report to the Board.

**II. Committee Composition**

3. The Committee must comprise a minimum of three non-executive directors. The majority of the Committee members must be independent non-executive directors. The Committee members shall be nominated by the Chairman of the Board, and appointed and removed by the Board.
4. The Committee members should meet the following requirements:-
  - (a) possess the skills and experience which are relevant to the Company’s businesses;
  - (b) 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 Listing Rules;
  - (c) possess the qualifications required under the relevant laws, regulations and the Listing Rules.
5. An independent non-executive director shall be chairman of the Committee, to preside over the meetings of the Committee. The chairman of the Committee should be nominated by the chairman of the Board, and appointed and removed by the Board.

### **III. Committee Duties**

6. The main duties of the Committee are :-

- (a) Relationship with the Company's auditors
  - (i) 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;
  - (ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
  - (iii) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved;
  - (iv) to develop and implement policy on engaging an external auditor to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
  - (v) to act as the key representative body for overseeing the Company's relations with the Company's external auditor.
- (b) Review of the Company's financial information
  - (i) 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: (1) any changes in accounting policies and practices; (2) major judgmental areas; (3) significant adjustments resulting from the audit; (4) the going concern assumptions and any qualifications; (5) compliance with accounting standards; and (6) compliance with the Listing Rules and legal requirements in relation to financial reporting;
  - (ii) to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's relevant staff responsible for the accounting and financial reporting and compliance function or auditors;

- (c) Oversight of the Company's financial reporting system, risk management and internal control systems
  - (i) to review the Company's financial controls, risk management and internal control systems;
  - (ii) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective relevant 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, risk management and internal control functions;
  - (iii) 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;
  - (iv) 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;
  - (v) to review the Company's financial and accounting policies and practices;
  - (vi) 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);
  - (vii) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (viii) to review arrangements employees of the Company 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;
  - (ix) to consider other topics, as defined by the Board;

- (d) Corporate governance
  - (i) to review the Company's policies and practices on corporate governance and make recommendations to the Board;
  - (ii) to review and monitor the training and continuous professional development of Directors and senior management;
  - (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  - (iv) to review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
  - (v) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and
  - (vi) to review and monitor the Company's whistle-blowing policy and system.
- (e) Other authorities delegated by the Board

These terms of reference of the Committee should be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company.

7. The main duties of the chairman of the Committee are:-
- (a) to convene and preside over the Committee meetings and other working meetings;
  - (b) to supervise and monitor the work of the Committee;
  - (c) to sign the relevant documents of the Committee;
  - (d) to report to the Board on the work of the Committee;
  - (e) to perform other duties as required by the Board.
8. The senior management and all other employees of the Company are directed to fully support the Committee to ensure that all operational and financial information are readily provided to the Committee. The Committee is empowered to request the senior management and all other employees of the Company to answer its questions as soon as practicable and to provide accurate and comprehensive information to the Committee in such form and substance so as to enable the Committee to be well placed to make sound decisions.

9. The Committee may on its own initiative or upon delegation by the Board investigate or review internal control, risk management, financial information and internal audit matters. These shall include but not be limited to attending the relevant meetings of the Company and the investigation and analysis of the Company's systems as well as requesting the senior management or the responsible persons to explain verbally or in writing within a reasonable period.
10. The Committee, when it considers necessary, can appoint independent accountants, legal consultants or other independent professional consultants to provide professional advice to the Committee. The Company shall bear all reasonable costs incurred by the Committee in appointing external consultants in the performance of its duties.
11. The Committee should be provided with sufficient resources to perform its duties.
12. The chairman of the Committee or in his absence, another member of the Committee shall attend the annual general meeting of the Company so as to be available to answer questions from the shareholders of the Company on matters within the scope of duties of the Committee.

#### **IV. Committee Meetings**

13. The Committee shall hold at least four regular meetings each year (at least two of which with the Company's external auditor). In addition to the regular meetings, the Committee members shall meet with the external and internal auditors without the presence of executive directors and management at least once a year.
14. The Committee members should liaise with the Board, senior management and external auditor.
15. The Committee may invite other directors, senior management and other relevant persons, as well as experts or consultants with relevant experience or expertise to attend Committee meetings.
16. Notices of Committee meetings shall specify the time, venue, duration, agenda, purpose, date of issue. Notices and preparation of meetings will be arranged by the Committee working group.
17. Not less than half the total number of members shall constitute a quorum at meetings of the Committee. The executives responsible for the Company's finance, internal audit and risk management functions should normally attend the Committee meetings.

## **V. Proceedings of Meetings**

18. Committee meetings can be held in person, by means of video conference, telephonic conference or other electronic means.

Committee members should participate in meetings in person (including either on site or by means of electronic communication).

19. Members of the Committee who attended the meetings as well as other attendees should keep all matters discussed at the meeting confidential and should not disclose such information.

20. The Committee should keep a complete record of all minutes of the meetings and record all matters discussed at the meetings, including queries and objections raised by Committee members.

Draft and final versions of minutes of the meetings should be circulated to all Committee members for their comment and records within a reasonable time after the meeting. The final version of the minutes shall be signed by the chairman of the Committee. All minutes of the meetings should be kept by a Joint Company Secretary.

21. A Joint Company Secretary shall circulate the minutes of meetings to all members of the Board.

## **VI. Committee Working Group**

22. The Committee will be supported by a working group which consists of representatives from the finance, internal audit, risk management and other departments of the Company. The office of the board of directors shall coordinate the functions of the working group.

A Joint Company Secretary shall be the secretary of the Committee and in the absence of the Joint Company Secretary, a person nominated by the Joint Company Secretary shall act as the secretary.

23. The working group shall support and provide services to the Committee to ensure that the Committee has sufficient resources to perform its duties.

The working group is responsible for preparing Committee meetings and organizing all necessary materials and documents for such purposes.

## **VII. Supplementary Provisions**

24. Save as otherwise specified, defined terms used herein shall bear the same meanings ascribed to them in the Articles of Association.

25. The references to "and above", "preceding" shall include the said number, whereas "less than," "fewer than," "more than" shall not include the said number.
26. These terms of reference shall be adopted after approval by the Board.
27. Any outstanding matters not covered in these terms of reference will be governed by the relevant rules and regulations and the Articles of Association. If any provision of these terms of reference is or becomes inconsistent with any provision of laws, regulations, rules of securities regulatory bodies and stock exchanges, or duly amended Articles of Association, these terms of reference will be amended and approved by the Board according to the provisions of such laws, regulations, rules of securities regulatory bodies and stock exchange, or duly amended Articles of Association. Such provisions of these terms of reference as are quoted from the laws, regulations, rules of the securities regulatory bodies and stock exchanges, shall be deemed to be amended simultaneously upon any amendment of the said laws, regulations, rules of the securities regulatory bodies and stock exchanges.
28. These terms of reference shall be construed by the Board.