

**CHINA CITY INFRASTRUCTURE GROUP LIMITED**  
中國城市基礎設施集團有限公司  
*(Incorporated in the Cayman Islands with limited liability)*

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**TERMS OF REFERENCE FOR THE  
AUDIT COMMITTEE**

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## Definitions

1. For the purposes of these terms of reference (the “Terms”):

**Audit Committee (or Committee)** means the audit committee established by the resolution of the Board.

**Board** means the board of directors of the Company.

**Company Secretary** means the company secretary of the Company.

**Directors** mean the directors of the Board.

**Group** means the Company and its subsidiaries at the relevant time.

**Listing Rules** means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).

**Shareholders** mean the shareholders of the Company.

**Stock Exchange** means The Stock Exchange of Hong Kong Limited.

## Membership

2. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors and at least one of whom should be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. The quorum of an Audit Committee meeting shall be any two members of the Committee, one of whom must be independent non-executive Directors.
3. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year from the date of his/her ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.
4. The chairman of the Audit Committee shall be appointed by the Board and should be an independent non-executive Director.
5. No member of the Audit Committee shall receive, either directly or indirectly, any remuneration other than Directors’ fees from the Company for any advisory or consultancy role or otherwise.

6. The term of office of a member of the Audit Committee shall correspond to that of a Director.

#### **Attendance at meetings**

7. The financial controller (or equivalent), the head of internal audit of the Company (if any) and a representative of the external auditors shall normally attend meetings convened by the Audit Committee. However, at least once a year the Audit Committee shall meet with the external and internal auditors without the executive Directors present.

#### **Frequency and proceedings of meetings**

8. Unless otherwise stated herein, the meetings of the Audit Committee are governed by the provisions contained in the Company's Articles of Association for regulating the meeting and proceedings of Directors.
9. Meetings shall be held by the Audit Committee not less than twice a year or more frequently if the Audit Committee determines it to be necessary. The external auditors may request a meeting if they consider that one is necessary. Meetings may be conducted by way of telephone or other electronic means.
10. The secretary of the Audit Committee shall be the Company Secretary or his/her appointed delegate.
11. An agenda and accompanying meeting papers should be sent in full to all members of the Committee in a timely manner and at least three days before the proposed date of a meeting of the Audit Committee (or other period agreed by the Committee).
12. Management is obliged to supply the Committee with adequate information, in a timely manner, in order to enable them to make informed decisions. The information supplied must be complete and reliable. Where a member requires more information than the information initially provided by management, then that member is entitled and encouraged to request further information until satisfied. All members shall have separate and independent access to management.

#### **Annual General Meeting**

13. The chairman of the Audit Committee shall attend the Company's annual general meeting and be prepared to respond to any Shareholders' question on the Audit Committee's activities.
14. If the chairman of the Audit Committee is unable to attend an annual general meeting of the Company, he/she shall arrange for another member of the Committee, or failing this, his/her duly appointed delegate, to attend in his/her place. Such person shall be prepared to respond to any Shareholder's question on the Audit Committee's activities.

## **Authority**

15. The Audit Committee is authorized by the Board to investigate any activity mentioned in these Terms or otherwise affecting the integrity of the Company. It is authorized to seek any information it requires from the Directors and/or management. All Directors and/or management are directed to co-operate with any request made by the Audit Committee.
16. The Audit Committee is authorized by the Board to obtain external independent professional advice, at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external consultant who advise the Audit Committee.
17. The Audit Committee is authorized by the Board to review the effectiveness of the Company's and its subsidiaries' internal control systems, covering all material controls, including financial, operational and compliance controls, and risk management functions including financial, business, operational and other risks of the Company and its subsidiaries, and to undertake any related investigations.

## **Duties**

18. The duties of the Audit Committee shall include:

### *Relationship with the Company's auditors*

- (a) 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;
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) developing and implementing policies on the engagement of an external auditor to supply non-audit services, and reporting to the Board, identifying and making recommendations on any matters in respect of which it considers that action or improvement is needed;
- (d) discussing with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations thereof, and ensuring co-ordination where more than one audit firm is involved;
- (e) discussing problems and reservations arising from the interim review (if any) and final audits, and any matters the external auditor may wish to discuss;

Review of the Company's financial information

- (f) monitoring the integrity of financial statements, annual report and accounts, interim report and, if prepared for publication, and reviewing significant financial reporting judgments contained in them. In reviewing these statements and reports before submission to the Board, the Committee shall 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 assumption and any qualifications;
  - (v) compliance with accounting and auditing standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (g) with regard to (f) above:-
  - (i) liaising with the Board and the Company's external auditor;
  - (ii) meeting, at least twice a year, with the Company's auditors; and
  - (iii) considering any significant or unusual items that are, or may need to be, reflected in such reports and accounts and giving due consideration to any matters that have been raised by the Company's staff responsible for the auditing and financial reporting function, compliance officer or external auditors;

Oversight of the Company's risk management, financial reporting system and internal control procedures

- (h) reviewing the Company's financial controls, internal control and risk management systems;
- (i) discussing the internal control system with management to ensuring that the management has performed its duties in establishing an effective internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (j) considering the findings of major investigations on internal control matters as delegated by the Board or on its own initiative and management's response to those findings;
- (k) where an internal audit function exists, ensuring co-ordination between the internal and external auditors, further ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, reviewing and monitoring its effectiveness, monitoring the planning of internal audit processes and overseeing the result of the work of the internal audit function;
- (l) reviewing the Group's financial and accounting policies and practices;

- (m) reviewing 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;
- (n) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) reporting to the Board on the matters set out in these Terms;
- (p) reviewing arrangement that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (q) acting as the key representative body for overseeing the Company's relation with its external auditor;

*Oversight of the Company's corporate governance functions*

- (r) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (s) reviewing and monitoring the training and continuous professional development of Directors and staff (if necessary);
- (t) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (u) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and reporting to the Board on matters;
- (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and
- (w) considering any other topics, as determined by the Board.

**Post-Audit Review Activities**

19. In connection with or following the completion of its review of the external audit and internal audit, the Audit Committee or its chairman may in their discretion meet with the external auditor, internal auditor or staff to discuss any changes required in the audit plans for future periods and any other appropriate matters regarding the audit process.

### **Failure to Reach an Agreement Regarding External Auditors**

20. Where the Board has taken a different view from the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor, the Audit Committee shall submit a statement to the Company explaining its recommendation, which will be disclosed by the Company in the Corporate Governance Report in accordance with Appendix 14 of the Listing Rules.

### **Reporting Procedures**

21. Full minutes of the Audit Committee's meetings shall be kept by the secretary of the Audit Committee as designated in clause 10 of these Terms. The minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
22. Minutes of meetings of the Audit Committee shall record in sufficient detail the matters considered and decisions reached by the Audit Committee, including any concerns raised by the members or dissenting views expressed. Draft and final versions of minutes of such meetings shall be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
23. Without prejudice to the generality of the duties of the Audit Committee set out above, the Audit Committee shall report back to the Board on its decisions and recommendations, unless there are legal or regulatory restrictions on doing so.

### **Provision of Terms**

24. The Audit Committee shall provide these Terms upon request and upload it to the Stock Exchange's website and the Company's website to explain the duties of the Audit Committee and the authority the Board has granted to it.

### **Approval of Disclosure Statements**

25. The Audit Committee shall be responsible for approving all disclosure statements in relation to the Audit Committee, including but not limited to relevant disclosure statements in annual reports, interim reports and information uploaded on the Stock Exchange's website and the Company's website.

### **Review of Terms**

26. The Audit Committee shall review these Terms annually, and may consider and submit to the Board any proposed changes that the Audit Committee deems appropriate or advisable.

These Terms are written in both Chinese and English. If there is any inconsistency between the Chinese and English versions of this document, the English version shall prevail.

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