



**GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 1788)**

**Terms of Reference of the Audit Committee**

Adopted on 19 June 2010

Amended on 17 June 2016

Amended on 22 August 2018

**Definition**

Company	means Guotai Junan International Holdings Limited
Board	means the board of directors of the Company
Committee	means the Audit Committee of the Board of the Company
Director(s)	means director(s) of the Company
Independent Non-executive Directors	means the independent non-executive directors of the Company subject to the independence requirements of the Listing Rules
Listing Rules	means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

**Purpose of the Committee**

The Committee was established by a resolution passed at the Board meeting on 19 June 2010. The purpose of the Committee is to establish formal and transparent arrangements to consider how it will apply financial reporting, internal control principles and maintain an appropriate relationship with external auditors of the Company.

**Membership**

1. The members of the Committee shall be appointed by the Board and shall consist of not less than three (3) non-executive directors with a majority of Independent Non-executive Directors, of whom, at least one (1) member of the Committee shall have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.
2. The Chairman of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director.
3. A former partner of the Company's existing external auditors should be prohibited from acting as a member of the Committee for a period of two (2) year commencing from the date of his/her ceasing to (i) be a partner of the firm; or (ii) have any financial interest in the firm, whichever is the later.

### **Attendance at meetings**

4. The Chief Financial Officer/Financial Controller, the head of internal audit, other senior management and representative of external auditors shall attend the Committee's meetings. However, the Committee shall meet with the external auditors at least once a year without presence of the executive Directors and other senior management.
5. The company secretary shall be the secretary of the Committee. In the absence of the secretary of the Committee, his/her representative or any one member, shall act as secretary of the meetings of the Committee.

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

6. Meetings shall be held not less than twice a year. The external auditors, if they consider necessary, may request the Committee to convene a meeting.
7. The quorum of the meetings of the Committee shall be two (2) members.
8. Reasonable notice of meeting shall be given to all members.
9. Unless otherwise specified herein, proceedings of meetings of the Committee shall be governed by the Company's Articles of Association in respect of proceedings of the directors so far as the same are applicable.

### **Authority**

10. The Committee is authorized by the Board to investigate any matters within its terms and reference. It is authorized to seek any information it requires from any employee and all employees who are directed to co-operate with any request made by the Committee.
11. The Committee is authorized by the Board to seek independent third party legal advice or other professional advice from outsiders with relevant experience and professional expertise, if it considers necessary. Fees to be incurred shall be borne by the Company.
12. The Committee shall be provided with sufficient resources to discharge its duties.

### **Duties**

13. the duties of the Committee shall include the following:-
  - (i) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of external auditors; and to approve the remuneration and terms of engagement of the external auditors; and any questions of its resignations or dismissals;
  - (ii) to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss the nature and scope of audit and reporting obligations with the external auditors before the audit commences;
  - (iii) to develop and implement policy on the engagement of the external auditors for supplying non-auditing services. For this purpose, the external auditors 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. The Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
  - (iv) to monitor integrity of the Company's financial statements, annual report, accounts and interim reports, and to review significant financial reporting judgments contained in them. In reviewing these reports

before submission to the Board, the Committee shall focus particularly on:

- (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (v) in regard to (iv) above:
- (a) the members of the Committee shall liaise with the Board and senior management and must meet with the Company's external auditors at least twice a year; and
  - (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the financial reports and accounts and must give due consideration to any matters raised by the Company's staff responsible for accounting and financial reporting functions, compliance officers or external auditors.
- (vi) to review the Group's financial control and internal control system;
- (vii) to discuss the internal control system with the management to ensure that the management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (viii) to consider any findings of major investigation on internal control matters as delegated by the Board or on its own initiative and the respective responses from the management to these findings;
- (ix) to ensure the co-ordination between the internal and external auditors; to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group; and to review and monitor the effectiveness of the internal audit function;
- (x) to review the Group's financial and accounting policies and practices;
- (xi) to review the external auditors' management letter, any material queries raised by the external auditors to the management in respect of accounting records, financial accounts or systems of control and the responses from the management;
- (xii) to ensure that the Board will provide a timely response to the issues raised by the external auditors' management letter;
- (xiii) to report to the Board on the matters set out in the Corporate Governance Code under Appendix 14 of the Listing Rules;
- (xiv) to review arrangements by which the employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of these matters and appropriate follow-up actions;
- (xv) to act as the key representative body for overseeing the Company's relations with external auditors;

- (xvi) to discuss problems and reservations arising from interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary).
- (xvii) to report to the Board on matters set out in this terms of reference; and
- (xviii) to consider any other matters as authorized by the Board.

**Other Matters**

- 14. Terms of reference of the Committee shall be made available to the public on the website of the Company and the Stock Exchange.

**Reporting procedures**

- 15. Draft and final version of minutes of the meetings of the Committee's meetings shall be sent to all members for their comment and record within a reasonable time after the meetings. The minutes of the meetings of the Committee should be kept by the company secretary.

*The Chinese version of this document is for reference only. In case of any discrepancies or inconsistency between the English version and Chinese version, the English version prevails.*

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