



# CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2312)**

## **Terms of Reference of the Audit Committee**

The Board of Directors (the “Board”) of China Financial Leasing Group Limited (formerly known as ‘Golden 21 Investment Holdings Limited’) (the “Company”) resolved on 7 October 2002 to establish a committee of the Board known as the Audit Committee (the “Committee”). At the Board meeting held on 31 December 2015, the Board adopted this “Terms of Reference” to supersede the previous one.

### **1. Composition**

- 1.1 The Committee comprises non-executive Directors of the Company only and a minimum of three members, 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 of the Rules Governing The Listing of Securities of the Stock Exchange of Hong Kong Limited (the “Listing Rules”).
- 1.2 The Chairman of the Committee must be an independent non-executive Director.

### **2. Secretary**

The Company Secretary of the Company shall be the secretary of the Committee.

### **3. Authority**

- 3.1 The Committee is authorized by the Board to investigate any activity within its 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.

\* *for identification purpose only*

- 3.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise when it deems fit.

#### **4. Duties**

The duties of the Committee shall include the following:-

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

- 4.1 to be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;
- 4.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 4.3 to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

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

- 4.4 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 judgements contained in them. In reviewing these reports before submission to the Board, focusing particularly on:
- 4.4.1 any changes in accounting policies and practices;
- 4.4.2 major judgmental areas;
- 4.4.3 significant adjustments resulting from audit;

4.4.4 the going concern assumptions and any qualifications;

4.4.5 compliance with accounting standards; and

4.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting.

4.5 Regarding 4.4 above:-

4.5.1 members of the Committee should liaise with the Board and Senior Management of the Company and the Committee must meet, at least twice a year, with the Company's auditors; and

4.5.2 the Committee should 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 staff responsible for the accounting and financial reporting function, Compliance Officer or auditors;

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

4.6 to review the Company's financial controls, risk management and internal control systems;

4.7 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective 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 function;

4.8 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;

4.9 where an internal audit function 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 its effectiveness;

- 4.10 to review the Group's financial and accounting policies and practices;
- 4.11 to review 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;
- 4.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 4.13 to report to the Board on the matters in this Terms of Reference;
- 4.14 to consider other topics, as defined by the Board;
- 4.15 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; and
- 4.16 to act as the key representative body for overseeing the Company's relations with the external auditor.

**5. Attendance at meetings**

Members of the Committee and representative(s) of the external auditor of the Company shall normally attend meetings of the Committee. Other members of the Board and any other persons may attend all or part of any meetings of the Committee at the invitation of the Committee.

**6. Frequency of meetings**

Meetings shall be held not less than four times a year. The external auditor may request a meeting if it considers that one is necessary.

**7. Quorum of meetings**

Quorum for meetings of the Committee shall be two members.

**8. Votes of meetings**

At all meetings of the Committee, questions shall be decided by a majority of votes cast by members of the Committee present at the Meeting.

**9. Minutes of meetings**

Final minutes of the meetings of the Committee should be kept by the secretary of the Committee. Draft and final versions of minutes of the meetings should be sent to all members of the Committee for their comment and records, within a reasonable time after the meeting.

**10. Reporting Procedure**

Minutes of the Committee shall be circulated to the Board after each meeting of the Committee. For any matters that require immediate attention of the Board, the Committee shall report immediately after the meeting.