



中国重汽
SINOTRUK

Sinotruk (Hong Kong) Limited

中國重汽(香港)有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 3808)

(the “Company”)

Audit Committee – Terms of Reference

1. Members

- 1.1 The audit committee of the Company (the “**Audit Committee**”) should be appointed by the board of directors of the Company (the “**Board**”) and should comprise a minimum of three members (the “**Members**”).
- 1.2 All Members shall be non-executive directors of the Company, the majority of whom must be independent non-executive directors of the Company (the “**INED**”), and at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The chairman of the Audit Committee shall be appointed by the Board and must be an INED.
- 1.4 A non-executive director of the Company or an INED being a former partner of the Company’s existing auditing firm should be prohibited from acting as a Member for a period of one year from the date of his ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.
- 1.5 The term of office of the Member shall be the same as that of the Board.

2. Secretary

- 2.1 The Audit Committee shall have two secretaries who shall be responsible for the tasks delegated by the Audit Committee and its chairman.

3. Meetings

- 3.1 The Audit Committee shall hold at least two regular meetings each year which shall be held before the review of half-yearly and annual financial reports of the Company by the Board.

- 3.2 The Audit Committee must meet the external auditors at least twice a year.
- 3.3 Notice of meeting should be given at least 14 days before any meeting of the Audit Committee. Such period could be shortened under special circumstances or such notice could be waived by all the Members. Notwithstanding the notice period, the attendance of the Member at the meeting would be deemed as a waiver of the required notice requirement. If an adjourned meeting takes place within 14 days after the meeting, no further notice is required for such adjourned meeting.
- 3.4 Meetings of the Audit Committee shall be convened only with the presence of half or above Members.
- 3.5 Meetings of the Audit Committee could be conducted physically or through conference call. Where any Member is unable to attend any meeting for any reasons, he may in writing appoint another Member by proxy to attend the meeting to vote on his behalf (but not count in the quorum as mentioned in clause 3.4 above). The proxy shall specify the scope of authorization.
- 3.6 Resolutions of the Audit Committee shall be passed by a majority of all the Members who attend the meeting.
- 3.7 Minutes of the meetings of the Audit Committee should be kept by the secretaries of the Audit Committee and shall be made available for inspection by all members of the Board at any time.

4. Attendance of Meetings

- 4.1 The financial controller, responsible person of the internal audit department, external auditors of the Company or any other parties considered by the Audit Committee as necessary to attend may attend the meetings of the Audit Committee as attendees.
- 4.2 Only the Members are entitled to vote in the meetings of the Audit Committee.

5. Annual General Meetings

- 5.1 The chairman of the Audit Committee or (if absent) the other Member (must be an INED) should attend the annual general meetings of the Company and respond to the shareholders' enquiry on the activities and responsibilities in relation to the Audit Committee.

6. Duties

The Audit Committee is responsible for reviewing and monitoring the financial reporting and internal control policies of the Company, and assist the Board to fulfill its responsibility over the audit. The Audit Committee's duties should include:

- 6.1 Relationship with the Company's external auditors
 - 6.1.1 to have a clear understanding on the role and responsibility of each participant, including the senior management, the internal and external auditors and the relations between each participant, in the course of financial reporting and audit; to ensure that each participant has carried out effective procedures and protection measures and that they have implemented the work on coordinated and effective basis;
 - 6.1.2 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 question of its resignation or dismissal;
 - 6.1.3 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
 - 6.1.4 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 responsible for the audit 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 Audit Committee shall report to the Board on any matters where action or improvement is needed, and shall make recommendations accordingly to the Board;
 - 6.1.5 to act as key representative body for overseeing the Company's relations with the external auditor;

- 6.2 Review of the Company's financial information
- 6.2.1 to monitor integrity of the Company's financial statements and annual report and accounts, half-yearly report and, if applicable, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should 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;
 - (f) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and other legal requirements in relation to financial reporting;
 - (g) any statements in respect of the internal control system of the Company which will be included in the annual report.
- 6.2.2 Regarding 6.2.1 above:
- (a) the Audit Committee should liaise with the Board, senior management and the person appointed as the Company's qualified accountant. The Audit Committee must meet the external auditors at least twice a year.
 - (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and it should give due consideration to any matters that have been raised by the Company's qualified accountant or auditors;
- 6.2.3 to review the Company's financial information and the connected transactions disclosed, to discuss problems and reservations arising from the audit of interim and annual accounts, and any matters the auditor may wish to discuss;

- 6.2.4 to review and monitor existing or potential risks of the Company, and to review the following arrangements of the Company: employees of the Company may raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow-up action;
- 6.2.5 to prepare a report on the work performing by the Audit Committee in its review of the quarterly, half-yearly and annual results and internal control system and its other duties set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the “**Corporate Governance Code**”) and submit the same to the Board for approval;
- 6.2.6 to ensure that the Corporate Governance Report in the annual report of the Company shall include a statement from the Audit Committee explaining its recommendation on the selection, appointment, resignation or dismissal of the external auditors, and also the reason(s) why the Board has taken a different view;
- 6.2.7 to perform other tasks delegated by the Board.
- 6.3 Oversight of the Company’s financial reporting system and internal control procedures
 - 6.3.1 to review the Company’s financial controls, internal control and risk management systems;
 - 6.3.2 to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company’s accounting and financial reporting functions;
 - 6.3.3 to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management’s response to these findings;

- 6.3.4 to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and can be brought into full play, and has appropriate standing within the Company, and to review and monitor its effectiveness;
- 6.3.5 to review the financial and accounting policies and practices of the Company and its subsidiaries (the “Group”);
- 6.3.6 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;
- 6.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor’s management letter;
- 6.3.8 to report to the Board on the matters as set out in the Corporate Governance Code;
- 6.3.9 to consider other topics, as defined by the Board;
- 6.3.10 the Audit Committee shall make assessment on the Company’s financial reporting procedures, internal control (including regulations on bills management) and risk management, and shall report the matters to the Board including: evaluation on the Company’s internal audit department and external auditor; opinions on whether the internal control system has been implemented effectively; opinions on whether the connected transactions of the Company are in compliance with the relevant laws and regulations; opinions on the truthfulness and completeness of the financial reports of the Company; and opinions on the objectivity and truthfulness of the financial information disclosed publicly.

7. Reporting responsibility

- 7.1 The Audit Committee shall report to the Board its resolutions or recommendations regularly unless the Audit Committee is prohibited by laws or regulatory requirement from such reporting (such as a restriction on disclosure due to regulatory requirements).

8. Power and authority

- 8.1 The authorities of the Audit Committee include, but not limited to, the following:
- 8.1.1 to meet with the internal auditor or external auditor or receive report from them on a regular basis in the absence of the management;
 - 8.1.2 to require any employees of the Company and any professional advisers to prepare and submit reports and to attend meetings of the Audit Committee and to supply information and address the questions raised by the Audit Committee;
 - 8.1.3 the Audit Committee may conduct any investigations in accordance with its terms of reference. The Audit Committee is authorized to request for the information it required from any employees of the Company, and all employees should co-operate with the Audit Committee;
 - 8.1.4 to monitor whether the Company's management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code;
 - 8.1.5 to investigate all suspected fraudulent acts and request the management to make investigation and submit reports;
 - 8.1.6 to evaluate the Company's internal control procedures and system;
 - 8.1.7 to evaluate the performance of the staff of the Company's accounting and internal audit department;
 - 8.1.8 to make recommendations to the Board for the improvement of the Group's internal control procedures and system;
 - 8.1.9 to request the Board to take all necessary actions, including convening a special general meeting, to replace and remove the auditors of the Company;
 - 8.1.10 to obtain outside legal or other independent professional advice at the expense of the Company; and to secure the attendance of outsiders with relevant experience and expertise at committee meetings, if it considers this necessary;

- 8.1.11 to exercise such powers as the Audit Committee may consider necessary so that their duties under section 6 of these terms of reference can be properly discharged;
- 8.1.12 any other authority granted by the Board.
- 8.2 If a substantial shareholder or a director of the Company has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall not be dealt with by the Audit Committee.
- 8.3 The Audit Committee shall be provided with sufficient resources to discharge its duties.