

# 瀋陽公用發展股份有限公司

Shenyang Public Utility Holdings Company Limited  
(Incorporated in People's Republic of China with limited liability)

(Stock Code: 00747)

## TERMS OF REFERENCE OF AUDIT COMMITTEE (the "Committee") (revised on 17 December 2015)

### 1. Constitution

1.1 The Committee was formed pursuant to the Board resolution of Shenyang Public Utility Holdings Company Limited passed on 13 February 2012.

### 2. Membership

2.1 Members of the Committee shall be appointed by the Board from the non-executive directors of the Company. The Committee shall comprise a minimum of three members.

2.2 The Committee shall have at least one independent non-executive director who has the appropriate professional qualifications or accounting or related financial management expertise. The majority of the Committee must be independent non-executive directors.

2.3 The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.

2.4 If there is a former partner of the Company's existing auditing firm in the Committee, he or she shall be prohibited from acting as a member of the Committee for a period of one year from the date of his or her ceasing:

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm, whichever is later.

### 3. Secretary

3.1 The Company's company secretary shall be the Secretary of the Committee.

3.2 In the absence of the Secretary, the members present at a meeting of the Committee shall elect any member present or any other person present to take minutes for the meeting.

#### 4. **Meetings**

4.1 The Committee shall hold at least two regular meetings annually. The Board and/or the external auditors may request a meeting if they consider that one is necessary.

4.2 The financial director, the head of internal auditor (if there is) and a representative of the external auditors shall normally attend meetings. However, at least once a year the Committee shall meet with the external and internal auditors without executive directors present.

4.3 Members of the Committee may attend meetings of the Committee either in person or through other electronic means of communication. A member in the absence due to an accident may authorize any other member of the Committee to attend the meeting in written form, and the scope of the authority should be stated clearly in the letter of authorization.

4.4 Meetings of the Committee should be held with at least two-thirds of the members present, and only the members of the Committee may vote at meetings. In passing the resolutions of the Committee meetings, a majority of members present and voting shall be required.

4.5 The Secretary of the Committee shall prepare and keep the minutes of meetings. Both the draft and the final minutes shall be sent to the members of the Committee for their review and records within a reasonable time after the conclusion of the meeting. The minutes of meetings shall be made available for inspection by any director of the Company.

#### 5. **Authority**

5.1 The Committee is authorized by the Board to investigate any activity within these terms of reference. It is authorized to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee.

5.2 The Committee is authorized by the Board to obtain outside independent legal or other professional advice and to invite the attendance of outsiders with relevant experience and expertise at meetings of the Committee if it considers this necessary.

## 6. Duties

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

6.1 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 to handle any problems of his or her resignation or dismissal;

6.2 To review and monitor the external auditor's independence, objectivity, and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature, scope of the audit, and reporting obligations before the audit commences;

6.3 To develop and implement policies 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*

6.4 To monitor the integrity of the Company's financial statements and annual reports and accounts, half yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. Before submitting the related statements and reports to the Board, the Committee should focus particularly on:

6.4.1 any changes in accounting policies and practices;

6.4.2 major judgmental areas;

- 6.4.3 significant adjustments resulting from the audit;
  - 6.4.4 the going concern assumptions and any qualifications
  - 6.4.5 compliance with accounting standards; and
  - 6.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 6.5 Regarding paragraph 6.4 above:
- 6.5.1 members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
  - 6.5.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's 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***

- 6.6 To review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- 6.7 To discuss the risk management and internal control system with management to ensure that management has performed its duty by having an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- 6.8 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;
- 6.9 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);
- 6.10 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;
- 6.11 To review the Company's statement on internal control systems (where one is

- included in the annual report) prior to endorsement by the Board;
- 6.12 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 the appropriate standing within the Company, and to review and monitor its effectiveness;
  - 6.13 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - 6.14 To report to the Board on the matters in the terms of reference of the Committee.
  - 6.15 To review the Group's financial and accounting policies and practices;
  - 6.16 To review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
  - 6.17 To act as the key representative body for overseeing the Company's relationship with the external auditor; and
  - 6.18 To consider other topics decided by the Board.

## **7. Reporting Procedures**

- 7.1 The Committee shall report to the Board after each meeting.