



中國建築國際集團有限公司
CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 3311)

AUDIT COMMITTEE

TERMS OF REFERENCE

1. Constitution

The board of directors (the “Board”) of China State Construction International Holdings Limited (the “Company”) has resolved to establish a Committee of the Board to be known as the Audit Committee (the “Committee”).

2. Membership and quorum

2.1 The Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors. A quorum shall be two members.

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

3. Frequency and proceedings of meetings

3.1 Meetings shall be held not less than four times a year.

3.2 Notice of meetings shall be given to all members of the Committee at least 7 days before the meeting.

3.3 Proceedings of meetings of the Committee shall be governed by the provisions contained in the Articles of Association of the Company.

4. Secretary

The company secretary shall be the secretary of the Committee (the “Secretary”).

5. Casting vote

In the case of an equality of votes, the chairman of the Committee shall have the casting vote.

6. *Performance of duties*

Sufficient resources as reasonably requested by the Committee would be provided to the Committee to performance its duties. The budget of such resources should be controlled and approved by the Board. Any additional resources which are not budgeted should be subject to further approval by the Board. Where necessary, the Committee should seek independent professional advice at the Company's expenses, to perform its responsibility.

7. *Duties*

The duties of the Committee shall be:

Relationships with the Company's auditors

- (a) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (b) 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 any questions of its resignation or dismissal;
- (c) to consider all relationships between the Company and the audit firm (including non-audit services), and to review and monitor the external auditors' independence and objectivity to and the effectiveness of the audit process in accordance with applicable standards;
- (d) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (e) 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;
- (f) to ensure that the external auditor's provision of non-audit services does not impair its independence and objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the Committee may consider: (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services; (iii) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and (iv) criteria for compensation of the individuals performing the audit;

- (g) to agree with the Board on the Company's policies on hiring employees or former employees of the external auditors and monitoring the application of these policies to ensure that there is no and does not appear to be any impairment of the external auditors' judgement or independence for the audit;
- (h) to obtain from the audit firm annually information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;
- (i) to meet with the external auditors at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise;
- (j) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- (k) 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, the Committee should focus particularly on: any changes in accounting policies and practices; major judgmental areas; significant adjustments resulting from audit; the going concern assumptions and any qualifications; compliance with accounting standards; and compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and legal requirements in relation to financial reporting;
- (l) Regarding (k) above, (i) 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 auditor; and (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it 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 auditor;

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

- (m) to review the Company's financial controls, risk management and internal control systems;
- (n) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an 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;

- (o) 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;
- (p) 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;
- (q) to review the Company and its subsidiaries (the "Group") financial and accounting policies and practices;
- (r) 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;
- (s) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (t) to report to the Board on the matters set out in the code provisions of the Code of Corporate Governance Practices adopted by the Company from time to time in respect of audit committee;
- (u) to consider other topics defined by the Board; and
- (v) 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.

8. *Reporting procedures*

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.