

China Minsheng Financial Holding Corporation Limited

TERMS OF REFERENCE

OF

AUDIT COMMITTEE

(amended and effective on 30 December 2015)

COMPOSITION

The Audit Committee of the China Minsheng Financial Holding Corporation Limited (the “**Company**”) shall be appointed by the board of directors of the Company (the “**Board**”) from amongst themselves via resolution and shall compose of a minimum of three members who are non-executive directors, 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 the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Company’s audit committee for a period of 1 year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the later.

The members of the Audit Committee shall elect a Chairman from among themselves who must be an independent director of the Company. All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company.

A member of the Audit Committee or the Company Secretary or the Qualified Accountant will be appointed as the Secretary of the Audit Committee.

Objective

The objectives of the Audit Committee are:

- a. to review the scope and work of the external auditors to ensure that it is cost effective, impartial and independent. Where the external auditors also provide

“non-audit” services, the Audit Committee shall monitor them to ensure that such “non-audit” work does not impair the independence and objectivity of the auditor.

- b. to ensure that the Board presents a balanced, clear and comprehensive assessment of the Company’s performance, position and prospects including such presentation in the annual and interim reports, other price sensitive announcements and other financial disclosures required under the Listing Rules and reports to regulators and information disclosed under statutory requirements.

Authority

In carrying out its duties and responsibilities, the Audit Committee will have full free and unrestricted access to the Company’s records, properties and personnel. The Audit Committee may, if it deems necessary, obtain the advice of external consultants.

The Audit Committee shall be provided with sufficient resources to discharge its duties.

Duties and Responsibilities

The following are the main duties and responsibilities of the Audit Committee collectively. These are not exhaustive and can be augmented if necessary by Board approval:

Relationship with external auditor

- a. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- b. to review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and to discuss with the auditor the nature and the scope of the audit and reporting obligations before the audit commences;

- c. 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 audit 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

- d. to monitor the integrity of the Company’s financial statements and the annual report and accounts, half-year report, quarterly report (if prepare for publication) 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: -

- i. any changes in accounting policies and practices;
- ii. major judgmental areas;
- iii. significant adjustments resulting from audit;
- iv. the going concern assumptions and any qualifications;
- v. compliance with accounting standards; and
- vi. compliance with the Listing Rules and legal requirements in relation to financial reporting;

- e. Regarding (d) 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 auditors; 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 auditors;

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

- f. 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;
- g. to discuss the risk management and internal control systems 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;
- h. to consider major investigation finding on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- i. 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 monitor and review its effectiveness;
- j. to review the group's financial and accounting policies and practices;
- k. 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;
- l. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- m. to report to the Board on the matters in the code provision contained in Corporate Governance Code and Corporate Governance Report set out in (as amended from time to time) Appendix 14 of the Listing Rules;
- n. 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 and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action;

- o. to act as key representative body for overseeing the Company's relations with the external auditor;
- p. where necessary, to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company; and
- q. to meet with the external auditor, 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 auditor may wish to raise; and
- r. to consider other topics, as defined by the Board.

Meetings

The Audit Committee shall meet at least twice a year. The number of committee meeting held in a year and details of each individual member in respect of the meetings held should be disclosed in the Annual Report together with the terms of reference of the Audit Committee, its role and the authority delegated to it by the Board.

The Audit Committee shall also liaise with the Board and the senior management and to meet with the Company auditors at least twice a year.

The Audit Committee shall be chaired by the Chairman of the Committee. In the absence of the Chairman of the Audit Committee, the members present shall elect from amongst themselves, a chairman for the Meeting. The quorum for each meeting shall be two (2) members. All recommendations and findings of the Audit Committee shall be submitted to the Board for approval.

Any Director and /or senior management and/ or any appropriate officer and/or staff may be invited to attend where their presence is requested by the Committee Chairman. The Secretary shall be in attendance at each Audit Committee meeting and shall record the proceedings of the Meeting.

The secretary of Audit Committee shall circulate the draft and final versions of the minutes of meetings and reports of the Audit Committee to all members for comment (if any) and records within a reasonable time after each meeting. All minutes shall record in sufficient detail the matters considered, decisions reached or recommendations made and any concerns raised by any member of the Audit Committee, external auditors and head of internal audit including dissenting views of any member.