



重慶長安民生物流股份有限公司  
**Changan Minsheng APLL Logistics Co., Ltd.\***  
(「the Company」)

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code:01292)

**Terms of Reference and Modus Operandi of Audit Committee**  
**(the “Committee”)**

**Membership**

1. The Committee shall consist of not less than three directors appointed by the board of directors of the Company (the “Board”), all of whom shall be non-executive directors and a majority of whom shall be independent non-executive directors. The Committee should have at least one member who has appropriate professional qualification or financial management expertise.
2. The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive director.
3. The term of the committee shall be consistent with the term of the Board. Upon expiry, members can be re-appointed by re-election. If any member ceases to be a director, he/she will lose the qualification of the committee member automatically and the Board will appoint a new member to fill the vacancy.

**Frequency and proceedings of meetings**

4. The Committee should meet at least four times per year. Additional meetings should be held as the work of the Committee demands.
5. In addition, the chairman of the Committee may convene additional meetings at his discretion.
6. The quorum for a meeting shall be two members.
7. Proceedings of meetings of the Committee shall be: the Committee shall be held only when over half of the whole members attend the meeting; each member has one voting right; the resolutions shall be effective only if they are approved by over half of the whole members.
8. The finance director/chief finance officer, head of internal audit, relevant senior management and person(s) invited by a committee member and representative(s) of external auditors shall normally attend meetings of the Committee.

## **Authority**

9. The Committee is granted the authority to investigate any activity within its terms of reference and all employees of the Company and its subsidiaries are directed to cooperate with the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

10. The Committee shall report to the Board any suspected frauds and irregularities, failures of risk management and internal control systems or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

11. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.

12. The Committee is to be provided with sufficient resources to discharge its duties. If it is needed, the Committee can consult legal or other independent professional opinions and the fees will be borne by the Company.

## **Responsibility**

13. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, risk management and internal controls, external and internal audits and such other matters as the Board determines from time to time.

14. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the risk management and internal control systems of the Company and its subsidiaries, and as to the adequacy of the external and internal audits.

## **Duties, powers and functions**

15. The Committee shall:

(a) 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;

(b) 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;

(c) develop and implement policy on engaging an external auditor to supply non-audit services, if any, to ensure that provisions of such services would not impair the independency and objectivity of the external auditors. 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;

(d) monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and (if prepared for publication) quarterly reports, and to review significant financial reporting judgments 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 other 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 reports 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;

(f) 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) discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective internal control system. 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;

(h) 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;

(i) where an internal audit function exists, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;

(j) review the group's financial and accounting policies and practices;

(k) 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) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) report to the Board on the matters in the code provision of Appendix 14 Corporate Governance Code and Corporate Governance Report of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(n) review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action;

(o) act as the key representative body for overseeing the Company's relations with the external auditor; and

(p) consider other topics, as defined by the Board.

Besides, the chairman of the Committee should attend, or in his/her absence, another member of the Committee or failing this his duly appointed delegate, should attend the annual general meeting to answer the questions from shareholders according to the invitation from the chairman of the Board.

### **Reporting Procedures**

16. The Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.

17. Full minutes of the Committee meetings should be kept by the secretary of the Committee. Draft and final versions of minutes of the Committee meetings should be sent to all committee members of the committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

18. The Committee must report back to the Board on their decisions or recommendations, unless such reporting is prohibited by law or regulatory restrictions.

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