

**TERMS OF REFERENCE FOR  
THE AUDIT COMMITTEE OF  
THE BOARD OF DIRECTORS OF  
CHINA RESOURCES BUILDING MATERIALS TECHNOLOGY  
HOLDINGS LIMITED**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** In order to ensure the scientific decision-making of the board (the "**Board**") of directors (the "**Directors**") of China Resources Building Materials Technology Holdings Limited (the "**Company**") and improve the work efficiency of the Board, the Board resolved to establish the Audit Committee (the "**Committee**") on 2 September 2009 and formulate these Terms of Reference in accordance with applicable laws and regulations, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Memorandum and Articles of Association of China Resources Building Materials Technology Holdings Limited (the "**Articles of Association**") and other relevant requirements.

**Article 2** The Committee is a specific working organization under the Board, which reports to the Board and provides comments and recommendations for decision-making of the Board.

**Article 3** These Terms of Reference are applicable to the Committee and the relevant persons involved in these Terms of Reference.

**CHAPTER 2 COMPOSITION OF COMMITTEE**

**Article 4** The Committee shall comprise 3 to 5 non-executive Directors and independent non-executive Directors, of which independent non-executive Directors shall represent a majority. At least one of the independent non-executive Director members must possess appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of two years from the date of the person ceasing: (a) to be a partner of the auditing firm; or (b) to have any financial interest in the auditing firm, whichever is later. Committee members are nominated by the Chairman of the Nomination Committee after soliciting the opinions of the relevant Directors, which will be considered and decided by the Board. Committee members

may be adjusted during their term of office upon the recommendation of the Chairman of the Nomination Committee and the discussion and approval by the Board.

**Article 5** The Committee shall have one Chairman, who is an independent non-executive Director, nominated by the Chairman of the Nomination Committee, and considered and decided by the Board. The Chairman of the Committee is generally a professional who is familiar with finance or risk management, is responsible for presiding over the work of the Committee, convening and chairing meetings of the Committee, reporting the work of the Committee to the Board, attending the annual general meeting and answering questions on behalf of the Committee.

**Article 6** Committee members shall have the same term of office as that of the Directors. Committee members may serve consecutive terms if re-elected upon the expiration of his term. If any member ceases to hold office as a Director of the Company during the term, such member shall automatically lose his position as a Committee member.

**Article 7** Committee member may tender his/her resignation during his/her term of office. The member shall submit written resignation report to the Board, which essentially states the reasons for resignation and explanation on matters that require attention from the Board.

**Article 8** In the event of the occurrence of circumstances under Articles 6 or 7 of these Terms of Reference, the Board shall fill the vacancy of members in accordance with the requirements under Article 4.

### **CHAPTER 3 DUTIES**

**Article 9** The Audit Committee is the specific Board committee responsible for financial risk management and control, and its major duties include:

- (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 any questions of its resignation or dismissal;
- (2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (3) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (4) to develop and implement policy on engaging an external auditor to supply non-audit services, to report and make recommendations to the Board on any matters where action or improvement needs to be adopted;
- (5) to review the Company's results announcement, annual report, interim report, financial report (including the annual final accounts plan), independent auditor's report; 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; and to review these statements and reports and provide comments to the Board before submission to the Board, with particular focus 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;
- (6) regarding (5) above: (i) Committee members should liaise with the Board and senior managers; (ii) to meet, at least twice a year, with the Company's auditors; and (iii) to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and to 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;
  - (7) to supervise the formation and implementation of the internal audit policies of the Company, to review and assess the relevant policies and their implementation;
  - (8) to review the annual audit plan and key audit tasks, and to supervise the execution upon the Board's approval;
  - (9) to review the Company's financial controls, to implement the responsibilities for financial risk management and control, and to standardize the decision-making of material financial matters;
  - (10) to discuss with the management and ensure: (i) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; (ii) the management's ongoing monitoring of the internal audit function and other assurance providers; and (iii) the effectiveness of the Company's processes for financial reporting;
  - (11) to review the major issues found in the Company's audit and the report on executing rectifications, to study on the major audit conclusions and rectifications, and to promote the application of audit achievements;
  - (12) to ensure co-ordination between the internal and external auditors, operation of the internal audit function with adequate resources and appropriate standing within the Company, and to review and monitor its effectiveness;
  - (13) to review the financial and accounting policies and practices of the Company and its subsidiaries;
  - (14) 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 the management's response;
  - (15) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (16) to review the Company's arrangements which the Company's employees 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 by the Company;
  - (17) to evaluate on the effectiveness of internal audit function, and to make

recommendations to the Board on the change of person-in-charge of the Internal Audit Department;

- (18) to act as the key representative body for overseeing the Company's relations with the external auditor, and to maintain good communications with the external auditor;
- (19) to study and make recommendation to the Board on the formulation, amendment, review and improvement of the primary management policies of the Company in terms of property rights management, financial management, internal audit, financing and guarantee, financial risk management and control, etc.;
- (20) to study on the proposals for important reform of the Company and its principal subsidiaries including establishment, merger, restructuring, spin-off, change of system, change of company format, liquidation, bankruptcy, clearing, dissolution, etc., as well as the first equity financing of principal subsidiaries in open market, and to submit review comments to the Board;
- (21) to study and to submit review comments to the Board on the annual financial budget plan, the annual financing plan (including the cap of asset-liability ratio), the annual guarantee plan, the annual donation plan, proposal for controlling risks of liabilities (where the asset-liability ratio exceeds the scope of managing and controlling risks of liabilities), as well as the major adjustments which are required to be made by the Board;
- (22) to study and to submit review comments to the Board on the interim/final dividend proposal and the loss recovery proposal of the Company;
- (23) to report to the Board on the matters in the Listing Rules and these Terms of Reference; and
- (24) to consider other topics, as defined by the Board.

#### **CHAPTER 4 MEETINGS OF COMMITTEE**

**Article 10** The Chairman of the Committee shall take the chair at the Committee meetings. If the Chairman of the Committee is unable to attend, he/she may entrust other members to take the chair at the meeting. The Committee shall convene regular meetings at least twice a year.

**Article 11** The agenda of the Committee meetings shall be proposed in the following ways:

- (1) proposed by the Board or the Chairman of the Board;
- (2) proposed by the Chairman or members of the Committee; or
- (3) matters confirmed at the last Committee meeting.

**Article 12** Meeting notice and papers.

- (1) After the Chairman of the Committee has confirmed the agenda, the Office of the Board shall organize the preparation for agenda and resolutions, and prepare relevant documents and other materials required for the meeting.
- (2) The Office of the Board shall deliver the meeting notice in written form to all

members of the Committee and relevant persons who are invited to attend the meeting 10 days before the meeting (except for emergencies). The contents of the meeting notice shall include the format, time, venue, session and agenda of the meeting.

- (3) The Office of the Board shall deliver the meeting papers in written form to all members of the Committee and relevant persons who are invited to attend the meeting 3 days before the meeting (except for emergencies).
- (4) The time limit for delivering the abovementioned meeting notices and papers may be waived upon unanimous consent of all members of the Committee. The presence of Committee members at such meeting is deemed to have waived the abovementioned time limit.
- (5) It is not required to serve any notice of adjourned meeting if the duration of adjournment is less than 7 days.

**Article 13** The Committee shall convene meetings on a regular or irregular basis according to the needs of its work. Meetings are generally convened in the form of on-site meetings, and in special cases, video conferences and teleconferences may be adopted. When there are urgent matters and the Committee members have sufficient information, the agenda may also be considered by resolutions in writing signed by all members.

**Article 14** The quorum for a Committee meeting shall be 2 members. Resolutions of the Committee shall be passed by a majority of the votes of the members present at any meeting. A resolution in writing signed by all Committee members shall be valid and effective as if the same had been passed at a duly called and convened meeting of the Committee.

**Article 15** Committee members shall attend the meeting in person. If he/she is unable to attend for any reason, he/she may entrust other Committee members to express comments on his/her behalf.

Members who are unable to attend the meeting in person may also express their comments in writing. Such written comments shall be submitted to the Office of the Board prior to the meeting.

Members entrusted to express comments shall exercise their powers within the scope of delegation. Committee member who is not present at the meeting in person and does not entrust other Committee members to express comments on his/her behalf nor submit written comments prior to the meeting shall be deemed to have waived their right to express comments at the meeting.

**Article 16** Committee member who has not attended the committee meetings for two consecutive times, nor entrusted other members of the Committee to express their opinions, nor put forward written opinions before the meeting, or has attended less than

three-quarters of the total number of meetings of the Committee within one year is deemed to have failed to perform the duties of the Committee members and the Board may adjust the Committee members according to these Terms of Reference.

**Article 17** The company secretary shall attend Committee meetings. If the company secretary is unable to attend the meeting due to special reasons, other personnel from the Office of the Board will attend the meeting and perform relevant duties.

According to the needs of the work, the Committee may arrange the relevant Directors, auditors, senior managers, persons-in-charge of functional departments and experts to attend its meetings to provide information, explain, accept inquiries or provide comments on the resolutions involved.

**Article 18 Procedures for the meetings.**

When the meeting is convened, the chairman of the meeting shall first announce the agenda of the meeting to ensure that the members present at the meeting fully express their comments and to enhance the efficiency of discussions by controlling the meeting agenda. Members present at the meeting shall fully study the information of the resolutions prior to the meeting. Speeches in the meeting shall be clear, specific and targeted. Committee members shall express their comments clearly, independently and fully based on their own judgment.

The Committee shall fully discuss every agenda and form recommendations or decisions to be reported to the Board. If the Committee does not reach unanimity, it shall offer explanation on every matter.

If necessary, the Committee may engage intermediary agencies or experts to provide professional consultation and advice upon proposal by the Committee and authorization by the Board, and the fees shall be paid by the Company.

**Article 19** Committee member shall take the initiative to explain and absent from the meeting when there is a conflict of interest in the matters under discussion.

**Article 20** Members present at the meetings and the personnel in attendance of the meetings are obliged to keep the matters discussed at the meetings in confidence and shall not disclose relevant information without prior approval.

## **CHAPTER 5 DOCUMENTS OF MEETINGS**

**Article 21** Documents of the Committee meetings include meeting notices, meeting papers, minutes, letters of authorization from delegators, written comments and specific comments. Meeting documents shall be numbered by year and session.

**Article 22** The Office of the Board shall prepare minutes of the meetings. The minutes

shall include the format of convening the meeting, time, venue, chairman of the meeting, personnel in attendance, topics for discussion, agenda, key points of speeches of participants, any reservations or objections raised by members, results of the meeting, and other matters that shall be recorded. Members present at the meeting shall sign the minutes. Members who have any comments on or objections to the minutes may choose not to sign the minutes but shall convey their comments in writing to the Office of the Board within 7 days of receiving the minutes.

**Article 23** The meeting notices, meeting papers, letters of authorization from delegators, written comments, minutes signed and confirmed by the members present at meeting and other relevant information of the Committee are all files belonging to the Company, which shall be kept by the Office of the Board and regularly filed and handed over in a timely manner according to relevant requirements of filing management of the Company.

## **CHAPTER 6 SUPPORT AND SERVICE**

**Article 24** A working group shall be set up under the Committee. The Finance Department and the Internal Audit Department of the Company shall provide support and service of the work of the Committee. At the request of the Committee, the working group of the Committee shall organize the preparation of relevant papers for the agenda, summarize and review the information of the meetings, and may attend the meeting if necessary.

**Article 25** The Office of the Board shall organize and prepare Committee meetings, organize resolutions, issue meeting notices, provide logistical support and other relevant meeting services.

**Article 26** Every functional department of the Company shall provide work services to the Committee, provide support to and coordination with the work of the Office of the Board, and shall prepare relevant draft resolutions, provide relevant documents, information and other materials according to the requirements of the Committee. Such functional departments shall be responsible for the authenticity and accuracy of the materials provided.

## **CHAPTER 7 SUPPLEMENTARY PROVISIONS**

**Article 27** Matters not covered in these Terms of Reference shall be implemented in accordance with applicable laws and regulations, the Articles of Association and the rules of procedures for Board meetings.

**Article 28** The senior managers mentioned in these Terms of Reference refer to the management members including the Chief Executive Officer, the Vice Presidents, the Chief Financial Officer, as well as personnel including the General Legal Counsel and

the Secretary of the Board.

**Article 29** These Terms of Reference shall become effective upon consideration and resolution by the Board, and the Board shall be responsible for their interpretation and amendment.