

# **FOSUN INTERNATIONAL LIMITED**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

## **Terms of Reference of the Audit Committee**

*(Adopted by the Board of Directors of Fosun International Limited at a Board meeting held on 19 June 2007 to take effect from the date when dealings in the shares of Fosun International Limited commence on the Main Board of The Stock Exchange of Hong Kong Limited)*

*(Amended pursuant to the resolution passed by the Board of Directors on 11 March 2009)*

## CONTENT

	Page No.
1. CONSTITUTION .....	3
2. MEMBERSHIP .....	3
3. QUORUM.....	3
4. ATTENDANCE AT MEETINGS .....	3
5. COMMITTEE SECRETARY .....	4
6. FREQUENCY OF MEETINGS .....	4
7. ANNUAL GENERAL MEETING OR SPECIAL GENERAL MEETING .....	4
8. ARRANGEMENT FOR AND NOTICES OF MEETINGS .....	4
9. ACCESS TO SERVICES OF COMPANY SECRETARY .....	5
10. MINUTES OF MEETINGS .....	5
11. ALTERNATE MEMBERS .....	5
12. AUTHORITY .....	5
13. ACCESS TO INDEPENDENT PROFESSIONAL ADVICE .....	5
14. DUTIES .....	6
15. REPORTING PROCEDURES .....	9
16. OTHERS.....	10
17. POWERS OF THE BOARD .....	10

## **1. CONSTITUTION**

- 1.1 The Board of Directors (the “**Board**”) resolved on 19 June 2007 to establish a committee known as the Audit Committee (the “**Committee**”) to assist the Board in providing an independent review of the effectiveness of the financial reporting process and internal control system of the Company. The Committee was formed pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”). These terms of reference of the Committee were adopted with reference to the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “**Code**”) and the Corporate Governance Report as set out in Appendix 23 of the Listing Rules.

## **2. MEMBERSHIP**

- 2.1 The Committee members shall be appointed by the Board. From amongst the non-executive directors of the Company and shall consist of not less than three members, at least one of whom shall be an independent non-executive director with appropriate professional qualifications or appropriate accounting or related financial management expertise as required under rule 3.10(2) of the Listing Rules.
- 2.2 The majority of the members of the Committee shall be independent non-executive directors.
- 2.3 The chairman of the Committee shall be appointed by the Board, who shall be an independent non-executive director.
- 2.4 The members of the Committee may be removed or replaced, and any vacancies on the Committee shall be filled person(s) appointed by the Board.

## **3. QUORUM**

- 3.1 A quorum of the Committee meeting shall be two members of the Committee.

## **4. ATTENDANCE AT MEETINGS**

- 4.1 The financial controller, the head of internal audit and representative(s) of the external auditor shall normally attend meetings. The Committee shall invite any appropriate persons to attend the meeting whenever it is necessary. Other Board members shall also have the right of attendance. The Committee shall meet separately and periodically, with management, and Compliance Officer, the external/internal counsel and the

internal/external auditors. However, at least once a year the Committee shall meet with the external auditor without the presence of executive Board members.

- 4.2 The members shall participate in meetings of the Committee either in person or by means of a conference telephone or similar communications equipment.

## **5. COMMITTEE SECRETARY**

- 5.1 The company secretary shall act as the secretary of the Committee (the “**Secretary**”).

## **6. FREQUENCY OF MEETINGS**

- 6.1 Meetings of the Committee shall be held not less than twice during a financial year, with each before the Board meeting for approving preliminary announcements of interim results and annual results respectively. Ad hoc meeting may also be convened whenever situation warrants. The external auditors may request a meeting if they consider that one is necessary.

## **7. ANNUAL GENERAL MEETING OR SPECIAL GENERAL MEETING**

- 7.1 Chairman of the Committee (“**Chairman**”) or his nominee shall attend the Company’s annual general meeting and/or special general meeting and be prepared to advise shareholders how to vote with respect to relevant resolutions that require shareholders’ approval and/or respond to shareholders’ questions.

## **8. ARRANGEMENT FOR AND NOTICES OF MEETINGS**

- 8.1 Meetings of the Committee shall be called by the Secretary as instructed by Chairman of the Committee, or requested by the Board or external auditor (as the case may be).
- 8.2 Unless otherwise agreed by all Committee members, notices of at least 14 days shall be given to all members for regular meetings of the Committee. For all other meetings, reasonable notices shall be given.
- 8.3 The Chairman of the Committee shall prepare and set the Committee’s agenda, in consultation with other members of the Committee, the Board and management. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting (at least 3 days before the intended date of a meeting) to permit a meaningful review by the members of the Committee.

8.4 If any member of the Committee wishes to include matters in the agenda for a particular regular meeting, he or she may notify the Secretary such matters in writing within seven(7) days after a notice of the meeting is given.

8.5 Notice shall be given to each member of the Committee orally in person or in writing or by telephone or facsimile or address from time to time notified to the secretary by such member of the Committee by such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.

## **9. ACCESS TO SERVICES OF COMPANY SECRETARY**

9.1 The Committee shall be provided with sufficient resources to discharge its duties. Members of the Committee shall have access to the advice and services of the company secretary to ensure that board procedures and all applicable rules and regulations are followed.

## **10. MINUTES OF MEETINGS**

10.1 The Secretary shall minute in sufficient detail the proceedings and resolutions of all Committee meetings, including any concerns raised and dissenting views expressed as well as the names of those present and in attendance.

10.2 Draft and final versions of minutes of meetings of the Committee shall be sent to members of the Committee for their comments and records respectively within a reasonable period of time after the meetings are held. Minutes of meetings of the Committee are open for inspection by any director at any reasonable time on reasonable notice to the company secretary.

10.3 Resolutions may be passed by all members of the Committee in writing.

## **11. ALTERNATE MEMBERS**

11.1 A member of the Committee may appoint any alternate.

## **12. AUTHORITY**

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

## **13. ACCESS TO INDEPENDENT PROFESSIONAL ADVICE**

13.1 The Committee is authorized by the Board to obtain, in connection with its duties and at the Company's expense, any outside legal or other independent professional advice and to secure the attendance of external advisors with relevant experience and expertise if it considers this necessary. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it to discharge its duties.

#### **14. DUTIES**

14.1 The principal purpose of the Committee shall be to ensure the Company to duly comply with the financial reporting and internal control principles of the Listing Rules and the Board to maintain an appropriate relationship with the Company's external auditors.

14.2 The Committee shall perform the following duties:

##### 14.2.1 Relationship with the external auditor

- (A) to be primarily responsible for making recommendation 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 deal with any questions of resignation or dismissal of that auditor;
- (B) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. Procedures to review and monitor the independence of external auditor may include:
- (C) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences, and ensure co-ordination where more than one audit firm is involved;

*Note: Issuers are reminded that rule 13.51(4) requires an announcement to be published when there is a change of auditors. The announcement must also include a statement as to whether there are any matters that need to be brought to holders of securities of the issuer.*

- (D) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally;

- (E) to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

#### 14.2.2 Review of financial information of the Company

- (A) to monitor integrity of financial statements, annual report and accounts, half-year report, if prepared for publication, quarterly reports and to review significant financial reporting judgments contained in them. In reviewing these reports and accounts before submission to the Board, the Committee shall focus particularly on:

- (1) any changes in accounting policies and practices;
- (2) major judgmental areas;
- (3) significant adjustments resulting from the audit;
- (4) the going concern assumptions and any qualifications;
- (5) compliance with accounting standards; and
- (6) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

- (B) in regard to 14.2.2 above:

- (1) members of the Committee shall liaise with the Board and senior management and the Committee shall meet, at least once a year, with the external auditor; and
- (2) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must 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 external auditor;

#### 14.2.3 Oversight of the Company's financial reporting system and internal control procedures

- (A) to review the financial control, internal control and risk management systems;
- (B) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal

control system including the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

- (C) to understand the current high risk areas and how management addresses those areas;
- (D) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (E) where an internal audit function exists, to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor the effectiveness of the internal audit function and to discuss with internal auditor any internal control deficiencies discovered during the course of its work and its recommendations for addressing the deficiencies;
- (F) to review the Group's financial and accounting policies and practices;
- (G) to review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- (H) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter and to monitor the status of management's corrective action, if any;
- (I) to determine whether it is satisfied that management has established appropriate controls and to ensure such ongoing obligations;
- (J) to report to the Board on the matter set out in the code provisions under C.3 of the Code; and
- (K) to consider other matters, as defined by the Board.

## **15. COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS**

- 15.1 The Committee shall review with management, and any internal or external counsel as the Committee considers appropriate, any legal matters (including the status of pending



litigation) that may have a material impact on the Company and any material reports or inquiries from regulatory or governmental agencies.

- 15.2 The Committee shall review with the internal or external counsel as the Committee considers appropriate, the adequacy and effectiveness of the Company's procedures to ensure compliance with its legal and regulatory responsibilities.
- 15.3 The Committee shall review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

## **16. REPORTING PROCEDURES**

- 16.1 Chairman of the Committee shall report formally and regularly to the entire Board on its proceedings, decisions or recommendations, after each meeting on all matters within its duties and responsibilities and shall submit to the Board the minutes of its meetings, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements). Subject to the foregoing, the Committee shall make whatever recommendations to the Board it deems appropriate on any area within its duties and responsibilities where action or improvement is needed and make recommendations as to the steps to be taken.
- 16.2 The Secretary shall circulate the minutes of meeting and reports of the committee to all Members of the Board.
- 16.3 Semi-annual reporting to the Board
  - 16.3.1 Reports to the Board should cover, as appropriate, the work and findings of the Committee in the following areas:
    - (A) Financial and other reporting;
    - (B) Internal control and risk management;
    - (C) Audits; and
    - (D) Other duties and responsibilities,
- 16.4 Corporate Governance Report in the annual report
  - 16.4.1 Disclosure should include:

- (A) Its role, function and composition of the Committee members (including names and identifying in particular the chairman of the Committee);
- (B) The number of the Committee meetings held during the year and record of individual attendance of members, on a named basis, at meetings held during the year;
- (C) A report on the work performed by the Committee during the year in discharging its responsibilities in its review of the half-yearly and annual results and system of internal control, and its other duties set out in the Code;
- (D) Details of non-compliance with rule 3.21 of the Listing Rules (if any) and an explanation of the remedial steps taken by the Company to address such non-compliance relating to establishment of an audit committee.

*Note: Listed issuers are reminded of their obligation to comply with rule 3.21. Failure to comply with such requirements constitutes a breach of the Exchange Listing Rules.*

- (E) A statement on the independence of the Committee.

*Note: In addition to the disclosure obligations described above, the code provisions in the Code expect issuers to make certain specified disclosures in the Corporate Governance Report. Where issuers choose not to make the expected disclosure, they must give considered reasons for the deviation in accordance with paragraph 2(a)(iii). For ease of reference, the specific disclosure expectations of the code provisions are set out below:*

- (1) an acknowledgement from the directors of their responsibility for preparing the accounts and a statement by the auditors about their reporting responsibilities (C.1.2 of the Code);
- (2) report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the listed issuer's ability to continue as a going concern (C.1.2 of the Code);
- (3) a statement that the board has conducted a review of the effectiveness of the system of internal control of the issuer and its subsidiaries (C.2.1 of the Code); and
- (4) a statement from the audit committee explaining its recommendation and the reason(s) why the board has taken a different view from that of the

audit committee regarding the selection, appointment, resignation or dismissal of the external auditors (C.3.5 of the Code).

## **17. OTHERS**

- 17.1 These terms of reference are available on reasonable request made to the Secretary at any reasonable time.
- 17.2 The provisions on the Board in the Articles of Association of the Company are incorporated into these terms of reference for the Committee by reference.

## **18. POWERS OF THE BOARD**

- 18.1 The Board may, subject to compliance with the Articles of Association of the Company and the Listing Rules, amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if these terms of reference or resolution had not been amended or revoked.

Date: 19 June 2007