

FORTIS HOLDINGS LIMITED
（中建富通集團有限公司）

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 00138)
(the "Company")

TERMS OF REFERENCE OF AUDIT COMMITTEE

(Revised on 23 October 2015)

Constitution

1. The Audit Committee (the "**Audit Committee**") is a committee of the board of directors of the Company (the "**Board**").

Membership

2. All members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company and shall comprise a minimum of three members, with the majority being independent non-executive directors ("**INED(s)**"). At least one of the INEDs serving as a member of the Audit Committee must possess 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 "**Stock Exchange**") as amended from time to time (the "**Listing Rules**").

3. The Chairman of the Audit Committee shall be appointed by the Board from amongst the INEDs.

4. All members of the Audit Committee are appointed by the Board and can be removed by the Board at its sole discretion. The Board shall from time to time vary the composition of the Audit Committee as may be required by the Listing Rules or the rules of any other stock exchange in respect of which the shares of the Company are listed or quoted, or other codes, rules and regulations as may be prescribed by the Hong Kong Securities and Futures Commission or any other applicable regulatory authority from time to time.

5. A former partner of the existing auditing firm of the Company should be prohibited from acting as a member of the Audit Committee for a period of one (1) year from the later of (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm.

Secretary of the Audit Committee

6. The Company Secretary of the Company or his/her designate shall be the Secretary of the Audit Committee.

Attendance at meetings

7. The head of the finance and accounting department and the head of internal audit, and a representative of the external auditors shall normally attend meetings. The Audit Committee may invite any appropriate person to attend any meeting(s) whenever it may consider necessary. Other Board members shall also have the right of attendance.

Frequency of meetings

8. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

Notice of meetings

9. Meetings of the Audit Committee shall be summoned by the Secretary of the Audit Committee at the request of any member of the Audit Committee.

Proceedings of meetings

10. The quorum necessary for the transactions of business of the Audit Committee shall be two, of which both of them must be INEDs. Meetings may be held in person or by telephone.

11. Resolution(s) shall be passed by simple majority of votes at the meetings of the Audit Committee. In the case of equality of votes, the Chairman of the Audit Committee shall have a casting vote.

Authority

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

13. The Audit Committee is to be provided with sufficient resources to perform its duties. The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties and functions

14. The duties and functions of the Audit Committee shall be:

Relationship with the Company's auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and 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 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 Audit Committee should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgemental 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 Audit Committee should liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's auditors; and

(ii) the Audit 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 system, risk management and internal control systems

(f) to review the Company's financial controls, internal control and risk management systems;

(g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have 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;

(h) 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;

(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 review and monitor 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 applicable code provision(s) as set out in the Corporate Governance Code (Appendix 14 to the Listing Rules) as amended from time to time;

(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. The Audit Committee should 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 the key representative body for overseeing the Company's relations with the external auditor;

(p) where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, to provide a statement explaining its recommendation to the Company for inclusion in the corporate governance report to be issued by the Company; and

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

Minutes/Written resolutions

15. Full minutes of the Audit Committee meetings should be kept by the Secretary of the Audit Committee. Draft and final versions of minutes of the meetings should be sent to all Audit Committee members for their comment and records within a reasonable time after the meeting.

16. Resolution(s) in writing signed by all members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

Publication of the terms of reference

17. The terms of reference will be published on the website of each of the Stock Exchange and the Company.