

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

22 March 2017

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**Terms of Reference for the  
Audit Committee of  
BOC Aviation Limited**

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## **Definitions**

1. For the purposes of these terms of reference (the *Terms*):

*Audit Committee* means the audit committee established by resolution of the Board in accordance with these Terms;

*Board* means the board of directors of the Company;

*Chief Financial Officer* means the senior officer of the Company responsible for financial management as appointed by the Board from time to time;

*Company* means BOC Aviation Limited;

*Company Secretary* means the company secretary of the Company;

*Constitution* means the constitution of the Company;

*Directors* means the members of the Board;

*Group* means the Company and its subsidiaries;

*Listing Rules* mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);

*Management* means any persons discharging an executive management role within the Group;

*Shareholders* means the shareholders of the Company from time to time; and

*Stock Exchange* means The Stock Exchange of Hong Kong Limited.

## **Establishment**

2. The Audit Committee was established by resolution of the Board on 12 May 2016.

## **Membership**

3. The members of the Audit Committee shall be appointed by the Board from among the non-executive Directors only and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The quorum for meetings of the Audit Committee shall be two members of whom at least one shall be an independent non-executive Director.

LR 3.21

4. Appointments to the Audit Committee shall be for a period of up to three years, which may be extended by the Board provided that a majority of the committee members remain independent non-executive Directors.

5. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year from the date of his ceasing:

CGC C.3.2

- (a) to be a partner of the firm; or
- (b) to have any financial interest in the firm,

whichever is the later.

6. The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.

LR 3.21

### **Attendance at meetings**

7. The Chief Financial Officer, the head of internal audit of the Company and a representative of the external auditors shall normally attend meetings of the Audit Committee. At least once a year the Audit Committee shall meet with the external and internal auditors separately without the executive Directors or Management being present.

### **Frequency and procedure of meetings**

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

9. An agenda and other relevant documents should be sent in full to all members in a timely manner and at least three days before the intended date of a meeting of the Audit Committee (or such other period as may be agreed by its members).

10. Meetings of the Audit Committee may follow the same procedures as those for meetings of the Board under the relevant provisions in the Constitution, as amended from time to time.

11. Management is obliged to supply the Audit Committee with adequate information in a timely manner in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where any member requires more detailed and complete information from Management, that member should make any additional necessary enquiries. The Audit Committee and each member shall have separate and independent access to Management.

### **Annual general meetings**

12. The chairman of the Audit Committee (or in his absence, his duly appointed delegate) shall attend the Company's annual general meetings and be prepared to respond to any Shareholders' questions on the Audit Committee's activities.

CGC E.1.2

### **Authority**

13. The Audit Committee is authorised by the Board to perform any activity within these Terms. It is authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Audit Committee.

14. The Audit Committee is authorised by the Board to obtain, at the Company's expense, external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit Committee shall be provided with sufficient resources to perform its duties. The Audit Committee shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Audit Committee.

CGC C.3.6

## Duties

15. The duties of the Audit Committee shall include:

### *Relationship with the Group's auditors*

- (a) being 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 to consider any questions of resignation or dismissal; CGC C.3.3(a)
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; CGC C.3.3(b)
- (c) developing and implementing policy on engaging an external auditor to supply non-audit services and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed; CGC C.3.3(c)
- (d) discussing with the external auditor before the audit commences the nature and scope of the audit and reporting obligations, and ensuring co-ordination where more than one audit firm is involved; CGC C.3.3(b)
- (e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Management where necessary);

### *Review of financial information of the Group*

- (f) monitoring integrity of the Group's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall 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;CGC C.3.3(d)
- (g) in respect of **paragraph (f)** above:
  - (i) liaising with the Board and senior management;
  - (ii) meeting at least twice a year with the Company's auditors; andCGC C.3.3(e)

- (iii) considering any significant or unusual items that are, or may need to be, reflected in the reports and accounts and giving 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 Group's financial reporting system, risk management and internal control systems*

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| (h) | reviewing the Group's financial controls and internal control systems, including monitoring the internal controls over the Group's risk management, while the oversight of risk factors is expressly addressed by the Board Risk Committee as set out in the Risk Committee Charter, with delegated authority from the Board;                 | CGC C.3.3(f)    |
| (i) | discussing 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 adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function; | CGC C.3.3(g)    |
| (j) | considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and considering Management's response to these findings;  | CGC C.3.3(h)    |
| (k) | ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group and reviewing and monitoring the effectiveness of the internal audit function;   | CGC C.3.3(i)    |
| (l) | reviewing the Group's financial and accounting policies and practices;  | CGC C.3.3(j)    |
| (m) | reviewing 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;  | CGC C.3.3(k)    |
| (n) | ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;  | CGC C.3.3(l)    |
| (o) | reporting to the Board on the matters in these Terms;   | CGC C.3.3(m)    |
| (p) | reviewing arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;          | CGC C.3.7(a)    |
| (q) | acting as the key representative body for overseeing the Group's relationship with the external auditor;  | CGC C.3.7(b)    |
| (r) | reviewing a whistleblowing policy and system for employees and those who deal with the Group (e.g. customer and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Group; and  | CGC C.3.8 (RBP) |
| (s) | considering any other topics, as defined by the Board.  | CGC C.3.3(n)    |

### **Disagreement as to external auditors**

16. In the event the Board disagrees with the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall provide a statement explaining its recommendations to the Company and also the reason(s) why the Board has taken a different view for inclusion in the Corporate Governance Report issued by the Company in accordance with Appendix 14 of the Listing Rules. CGC C.3.5

### **Reporting procedures**

17. Full minutes of the Audit Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary or a duly appointed representative). The minutes shall be made available for inspection on reasonable notice by any Director. Minutes of meetings of the Audit Committee shall record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Audit Committee for their comment and records within a reasonable time after such meetings. CGC C.3.1

18. Without prejudice to the generality of the duties of the Audit Committee set out in these Terms, the Audit Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so. CGC D.2.2

19. The Audit Committee should evaluate its own performance, these Terms and its membership annually to ensure it is performing its duties effectively, and recommend to the Board any changes it considers necessary.

### **Terms available**

20. The Audit Committee shall make these Terms available on request and by inclusion on the websites of the Company and the Stock Exchange in order to explain its role and the authority delegated to it by the Board. CGC C.3.4