

CITIC RESOURCES HOLDINGS LIMITED
(the “Company”)

AUDIT COMMITTEE

Terms of Reference

1. Establishment

The board of directors of the Company (the “**Board**”) has established a committee of the Board known as the Audit Committee (the “**Committee**”).

2. Approval of Terms of Reference

These terms of reference were approved by a resolution of the Board on 19 January 2009.

3. Membership

The Committee shall comprise three directors, the majority of whom shall be independent non-executive directors.

The chairman of the Committee (the “**Committee Chairman**”) shall be appointed by the Board from amongst the independent non-executive directors. The Committee Chairman may appoint a deputy to act in his absence.

The Board may from time to time appoint additional members to the Committee subject to the bye-laws of the Company (the “**Bye-laws**”) and subject to the requirement that the majority of members of the Committee are independent non-executive directors.

The Committee may invite any director, executive or otherwise, or other person to attend meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the attainment of its objective.

4. Application of the Bye-laws

The Bye-laws governing proceedings at meetings of the Board shall apply to proceedings at meetings of the Committee.

5. Meetings and Quorum

The Committee shall meet at least twice in each financial year of the Company. Any member of the Committee may call additional meetings of the Committee as necessary. Any member of the Board may call additional meetings of the Committee in the event any matter which requires the consideration of the Committee occurs.

The quorum for a meeting of the Committee shall be two or more members and a majority of whom are independent non-executive directors.

The Committee Chairman shall chair meetings of the Committee. In the absence of the Committee Chairman and an appointed deputy at any meeting, the remaining members of the Committee present shall elect a member from amongst themselves to act as chairman of that meeting.

6. Conflicts of Interests

Each member of the Committee shall disclose to the Committee:

- (a) any personal financial interest (other than as a shareholder of the Company) in any matter to be decided by the Committee;
- (b) any potential conflict of interest arising from a cross-directorship; and
- (c) any other matter that he considers to be relevant in respect of any matter to be discussed at meetings of the Committee.

Any member of the Committee who is the subject of a conflict of interest shall abstain from voting on resolutions of the Committee in relation to which such conflict of interests exists and from participating in the discussions concerning such resolutions.

Where a conflict of interests is material and affects the ability of a member of the Committee to act as a member of the Committee as determined by the Committee Chairman or, where the Chairman is himself unable to act, as determined by another member of the Committee, then such member shall resign from the Committee.

7. Objective

The purpose of the Committee is to establish formal and transparent arrangements for considering how the Board will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's external auditors and internal auditors.

8. Authority

The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to co-operate with the Committee. The Committee is authorised 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.

The Committee shall report to the Board any suspected fraud and irregularities, failures of internal control 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.

Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, 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.

The Committee is to be provided with sufficient resources to discharge its duties.

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

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 internal controls of the Company and its subsidiaries (the “**Group**”), and as to the adequacy of the external and internal audits.

9. Responsibilities

The Committee shall have the following responsibilities:

- (a) to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors and to consider any questions of resignation or dismissal of such auditors;
- (b) to review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences and to ensure co-ordination where more than one audit firm is involved;
- (c) to develop and implement policy on the engagement of external auditors to supply non-audit services. For this purpose, external auditors shall include any entity that is under common control, ownership or management or association with the external auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the external auditors’ firm or organisation nationally or internationally. The Committee should 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;
- (d) to monitor the integrity of the financial statements, interim and annual reports of the Company and to review significant financial reporting judgments contained therein. In this regard, in reviewing the interim and annual reports of the Company 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 qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and other legal requirements in relation to financial reporting;

- (e) in regard to (d) above,
 - (i) to liaise with the Board and senior management, and to meet, at least once a year, with the external auditors; and
 - (ii) to consider any significant or unusual items that are, or may need to be, reflected in such reports 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 external auditors;
- (f) to review the Group's financial controls, internal controls and risk management systems;
- (g) to discuss with the management the internal control systems and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- (h) 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;
- (i) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (j) to review the external auditors' management letter, any material queries raised by the external auditors to management in respect of the accounting records, financial accounts or control systems of the Company and management's response;
- (k) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (l) to review the internal audit program 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 the effectiveness of the internal audit function;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- (n) to report to the Board on the matters set out in these terms of reference of the Committee;
- (o) to review the Group's financial and accounting policies and practices; and
- (p) to consider other topics, as requested by the Board.

10. Reporting Procedures

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 Committee Chairman 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.

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