

**CAR Inc.**

(Incorporated in the Cayman Islands with limited liability)

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**CAR Inc. (the “Company”)  
Terms of Reference for the  
Audit and Compliance Committee**

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(Revised on November 20, 2018)

## Definitions

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

**Audit and Compliance Committee (or Committee)** means the audit and compliance committee established by the resolution of the Board in accordance with clause 2 of 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 assigned by the Board from time to time.

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

**Directors** mean the directors of the Board.

**Group** means the Company and its subsidiaries at the relevant time.

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

**Senior Management** means the chief executive officer, executive vice president, Chief Financial Officer, chief operation officer, chief information officer, Company Secretary and any other officers of the Company as may be appointed by the Board to be senior management of the Company, as well as other employees as may be determined by the Remuneration Committee to be part of senior management of the Company from time to time.

**Shareholders** mean the shareholders of the Company.

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

## Constitution

2. The Audit and Compliance Committee was established by resolutions of the Board on August 18, 2014.

## **Membership**

3. The members of the Audit and Compliance Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members, a majority of whom should be independent non-executive Directors and at least one of whom should be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. The quorum of an Audit and Compliance Committee meeting shall be any two members of the Committee, one of whom must be independent non-executive Director.
4. A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Audit and Compliance Committee for a period of two year from the date of his ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is later.
5. The chairman of the Audit and Compliance Committee shall be appointed by the Board and must be an independent non-executive Director.
6. No member of the Audit and Compliance Committee shall receive, either directly or indirectly, any remuneration other than Directors' fees from the Company for any advisory or consultancy role or otherwise.
7. The term of office of a member of the Audit and Compliance Committee shall correspond to that of a Director.

## **Attendance at meetings**

8. The Chief Financial Officer, the head of internal audit of the Company and a representative of the external auditors shall normally attend meetings convened by the Audit and Compliance Committee. However, at least once a year the Audit and Compliance Committee shall meet with the external and internal auditors without the executive Directors present.

## **Frequency and procedure of meetings**

9. Unless otherwise stated herein, the meetings of the Audit and Compliance Committee are governed by the provisions contained in the Company's Articles of Association for regulating the meeting and proceedings of Directors.
10. Meetings shall be held by the Audit and Compliance Committee not less than twice a year or more frequently if the Audit and Compliance Committee determines it to be necessary. The external auditors may request a meeting if they consider that one is necessary. Meetings may be conducted by way of telephone or other electronic means.
11. The secretary of the Audit and Compliance Committee shall be the Company Secretary or his/her appointed delegate.
12. An agenda and accompanying meeting papers should be sent in full to all members of the Committee in a timely manner and at least three days before the proposed date of a meeting of the Audit and Compliance Committee (or other agreed period).
13. Senior Management is obliged to supply the Committee with adequate information, in a timely manner, in order to enable them to make informed decisions. The information supplied must be complete and reliable. Where a member requires more detailed information than those initially provided by Senior Management, then that member is entitled and encouraged to request further information until satisfied. All members shall have separate and independent access to Senior Management.

## **Annual General Meeting**

14. The chairman of the Audit and Compliance Committee shall attend the Company's annual general meeting and be prepared to respond to any Shareholders' question on the Audit and Compliance Committee's activities.
15. If the chairman of the Audit and Compliance Committee is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any Shareholder's question on the Audit and Compliance Committee's activities.

## **Authority**

16. The Audit and Compliance Committee is authorized by the Board to investigate any activity mentioned in these Terms or otherwise affecting the integrity of the Company. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit and Compliance Committee.
17. The Audit and Compliance Committee is authorized by the Board to obtain external independent professional advice, at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit and Compliance Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external consultant who advise the Audit and Compliance Committee.
18. The Audit and Compliance Committee is authorized by the Board to review the effectiveness of the Company's and its subsidiaries' internal control systems, covering all material controls, including financial, operational and compliance controls, and risk management functions including financial, business, operational and other risks of the Company and its subsidiaries, and to undertake any related investigations.

## **Duties**

19. The duties of the Audit and Compliance Committee shall include:

### Relationship with the Company's auditors

- (a) primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and considering any questions of resignation or dismissal of that auditor;
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) developing and implementing policies on the engagement of an external auditor to supply non-audit services, and reporting to the Board, identifying and making recommendations on any matters in respect of which it considers that action or improvement is needed;

- (d) discussing with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations thereof, and ensuring co-ordination where more than one audit firm is involved;
- (e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (including, where prudent, in the absence of Senior Management where necessary);

Review of the Company's financial information

- (f) monitoring the integrity of financial statements, annual report and accounts, half- year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In reviewing these statements and reports before submission to the Board, the 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 any legal requirements in relation to financial reporting;
- (g) In regard to (f) above:
  - (i) liaising with the Board, Senior Management and the person appointed as the Company's external auditor;
  - (ii) meeting, at least twice a year, with the Company's auditors; and
  - (iii) considering any significant or unusual items that are, or may need to be, reflected in such reports and accounts and giving due consideration to any matters that have been raised by the Company's staff responsible for the auditing and financial reporting function, compliance officer or external auditors;

Oversight of the Company's risk management, financial reporting system and internal control systems

- (h) overseeing and monitoring the risk management and internal control systems of the Company on an ongoing basis and review with the Company's external auditors and Senior Management periodically, and ensuring that a review of the scope, adequacy and effectiveness of the Group's corporate accounting and financial controls, risk management and internal control systems, and any related significant findings regarding risks or exposures and considering recommendations for improvement of such controls is conducted at least annually. The review should cover all material controls, including financial, operational and compliance controls. In conducting the annual review, the Audit and Compliance Committee should, in particular, consider:
- (i) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
  - (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;
  - (iii) the extent and frequency of communication of monitoring results to the Audit and Compliance Committee (or to the Board) which enables it to assess control of the Company and the effectiveness of risk management;
  - (iv) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
  - (v) the effectiveness of the Company's processes for financial reporting and the Listing Rules compliance;
- (i) discussing the risk management and internal control systems with the Senior Management and ensuring that the Senior Management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmes and budgets of the Company's accounting, internal control and financial reporting functions;

- (j) considering the findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and the Senior Management's response to those findings;
- (k) where an internal audit function exists, ensuring co-ordination within the Group and between the internal and external auditors, further ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, reviewing and monitoring its effectiveness, monitoring the planning of internal audit processes and overseeing the result of the work of the internal audit function;

*\*An internal audit function generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems so as to add value and improve the Company's operations. Internal audit function helps the Company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Company may outsource the internal audit function to external competent independent third parties.*

- (l) reporting to the Board any suspected frauds and irregularities, failures of the risk management and internal control systems 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 and review the findings of internal investigations into any suspected frauds or irregularities or failures of risk management and internal controls or infringements of laws, rules and regulations in relation to financial reporting;
- (m) reporting to the shareholders it has conducted the review of the effectiveness of its risk management and internal control systems and the effectiveness of the internal audit function in the Corporate Governance Report and ensure other disclosure requirements in relation to how the Group has complied with the risk management and internal control systems code provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules are fulfilled;



#### Oversight of the Company's financial reporting system

- (n) reviewing the Group's financial and accounting policies and practices;
- (o) reviewing the external auditor's management letter, any material queries raised by the auditor to Senior Management about accounting records, financial accounts or systems of control and Senior Management's response;
- (p) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (q) reporting to the Board on the matters set out in these Terms;
- (r) reviewing arrangement that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (s) acting as the key representative body for overseeing the Company's relation with its external auditor;
- (t) establishing a whistle blowing policy and system for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit and Compliance Committee about possible improprieties in any matter related to the Company;

#### Oversight of the Company's corporate governance functions

- (u) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (v) reviewing and monitoring the training and continuous professional development of Directors and Senior Management;
- (w) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;

- (x) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board and reporting to the Board on matters;
  - (y) reviewing the Company's compliance with the Corporate Governance Code in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report;
  - (z) reviewing and monitoring the Company's compliance with the Company's whistleblowing policy; and
- (aa) considering any other topics, as determined by the Board.

### **Post-Audit Review Activities**

20. In connection with or following the completion of its review of the external audit and internal audit, the Audit and Compliance Committee or its chairman may in their discretion meet with the external auditor, internal auditor or Senior Management to discuss any changes required in the audit plans for future periods and any other appropriate matters regarding the audit process.

### **Failure to Reach an Agreement Regarding External Auditors**

21. Where the Board has taken a different view from the Audit and Compliance Committee regarding the selection, appointment, resignation or dismissal of the external auditor, the Audit and Compliance Committee shall submit a statement to the Company explaining its recommendation, which will be disclosed by the Company in the Corporate Governance Report in accordance with Appendix 14 of the Listing Rules.

### **Reporting Procedures**

22. Full minutes of the Audit and Compliance Committee's meetings shall be kept by the secretary of the Audit and Compliance Committee as designated in clause 11 of these Terms. The minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
23. Minutes of meetings of the Audit and Compliance Committee shall record in sufficient detail the matters considered and decisions reached by the Audit and Compliance Committee, including any concerns raised by the members or dissenting views expressed. Draft and final versions of minutes of such meetings shall be sent to all members of the Audit and Compliance Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.

24. Without prejudice to the generality of the duties of the Audit and Compliance Committee set out above, the Audit and Compliance Committee shall report back to the Board on, and keep the Board fully informed of, its decisions and recommendations, unless there are legal or regulatory restrictions on doing so.
25. The Audit and Compliance Committee shall ensure that the Board as a whole and Directors individually have proper access to reports and other materials related to the Committee's work (having regard to the Listing Rules requirement for separate and independent access for the Board and Directors respectively to the Senior Management). It shall also ensure that such materials are of a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, and that Directors will receive a prompt and full response to their enquiries.

### **Provision of Terms**

26. The Audit and Compliance Committee shall provide these Terms upon request and upload it to the Stock Exchange's website and the Company's website to explain the duties of the Audit and Compliance Committee and the authority the Board has granted to it.

### **Approval of Disclosure Statements**

27. The Audit and Compliance Committee shall be responsible for approving all disclosure statements in relation to the Audit and Compliance Committee, including but not limited to relevant disclosure statements in annual reports, half-year reports and information uploaded on the Stock Exchange's website and the Company's website.

### **Review of Terms**

28. The Audit and Compliance Committee shall review these Terms annually, and may consider and submit to the Board any proposed changes that the Audit and Compliance Committee deems appropriate or advisable.

These Terms are written in both Chinese and English. If there is any inconsistency between the Chinese and English versions of this document, the Chinese version shall prevail.