



CREDIT CHINA HOLDINGS LIMITED

(中國信貸控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8207)

**TERMS OF REFERENCE
OF
THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

Adopted on 4 November 2010

and

Revised on 1 March 2011

and

Revised on 30 March 2012

and

Revised on 10 February 2015

A. Constitution

Pursuant to the resolutions passed on 4 November 2010 by the board (the “**Board**”) of the directors (the “**Directors**”, each a “**Director**”) of Credit China Holdings Limited (the “**Company**”), an audit committee (the “**Committee**”) was established as the audit committee of the Board.

B. Committee

1. Membership

1.1 Members of the Committee (the “**Members**”, each a “**Member**”) shall be appointed by the Board from amongst the non-executive Directors only and shall consist of not less than three (3) Members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the Rules (the “**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The majority of the Members must be independent non-executive Directors. A former partner of the Company’s existing auditing firm should be prohibited from acting as a Member for a period of 1 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.

1.2 The chairman (the “**Chairman**”) of the Committee shall be an independent non-executive Director appointed by the Board.

1.3 The secretary (the “**Secretary**”) of the Committee shall be appointed by the Board.

1.4 The appointment of the Members and Secretary may be revoked, or additional Members may be appointed by separate resolutions passed by the Board. If a Member ceases to be a Director, then his office as a Member of the Committee shall *ipso facto* cease.

2. Proceedings of the Committee

2.1 Notice

2.1.1 Unless otherwise agreed by all the Members, a meeting (the “**Meeting(s)**”) of the Committee shall be called by at least fourteen (14) days’ notice.

2.1.2 A Member may and, on the request of a Member, the Secretary shall, at any time summon a Meeting. Notice shall be given to each Member, at least fourteen (14) days before the date of the meeting, orally in person or in writing or by telephone or by telex or telegram or facsimile transmission at the telephone number or facsimile number or address from time to time notified to the Secretary by such Member or in such other means as the Members may from time to time determine. Any notice given orally shall be confirmed in writing.

2.1.3 Notice of Meeting shall state the time and place of the Meeting.

2.1.4 Agenda together with other documents which may be required to be considered by the Members for the purposes of the Meeting shall be sent to the Members at least three (3) business days before the date of the Meeting.

2.2 Quorum

The quorum of the Meeting shall be constituted by at least two (2) Members, one of which should be an independent non-executive Director.

2.3 Attendance of Meetings by non-members

The finance director, the head of internal audit of the Company (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditor of the Company shall normally attend the Meetings. The executive Directors shall also have the right of attendance. However, at least once a year the Committee shall meet with the external auditor of the Company in the absence of the executive Directors.

2.4 Frequency of Meetings

Meetings shall be held at least once every six (6) months to consider the budget, revised budget and half-year report prepared by the Board. Additional Meetings should be held as any Member of the Committee demands. The external auditor may request the Chairman to convene a Meeting if they consider necessary.

2.5 Voting

Resolutions of the Committee at any Meeting shall be passed by a majority of votes of the Members present.

2.6 Minutes

Full minutes of the Meetings should be kept by the Secretary. Draft and final versions of minutes of the meetings should be sent to all Members for their comment and records within a reasonable time after the Meeting. The Secretary shall also from time to time circulate the minutes of the Meeting and all written resolutions of the Committee to all Directors.

2.7 Others

Meetings could be held in person, by telephone or by video conference. Members may participate in a Meeting by means of a conference telephone or similar communication equipment by means of which all persons participating in the Meeting are capable of hearing each other.

3. Written resolutions

Resolutions may be passed by all Members in writing.

4. Alternate members

No Member shall appoint any alternate.

5. Authority

The Committee is authorised to evaluate and supervise the financial reporting process and internal control system of the Company and its subsidiaries (together as the “**Group**”). The Committee should be provided with sufficient resources to perform its duties. In exercising such authorities, the Committee shall have the power:

- (a) to seek any information it requires from any employee of the Company and of its subsidiaries, and any of the Company’s professional advisers (including auditor), to require any of them to prepare and submit reports and to attend Meetings and to supply information and answer questions raised by the Committee;
- (b) 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;
- (c) to monitor whether the Group’s management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the GEM Listing Rules and other rules and regulations from time to time prescribed by the Stock Exchange and/or laid down by the Board or a committee thereof);
- (d) to investigate all suspected fraudulent acts involving the Group and its employees and request management to make investigation and submit reports;
- (e) to review the Group’s internal control procedures and system and financial reporting process;
- (f) to review the performance of the Group’s employees in the accounting and internal audit department;
- (g) to act as the key representative body for overseeing the Company’s relations with the external auditor;
- (h) to make recommendations to the Board for the improvement of the Group’s internal control procedures and system and financial reporting process;
- (i) to request the Board to take all necessary action, including convening a shareholders’ meeting for purposes of revoking the appointment of any Director and to dismiss any employee if the Committee deems there is evidence showing that the relevant Director and/or employee has failed to discharge his duties properly;
- (j) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditor of the Group; and

- (k) to retain outside legal or other independent professionals and obtain their advice and to secure the attendance of independent third parties with relevant experience and expertise, if it considers this necessary.

6. Duties

The duties of the Committee shall include, without limitation:

Relationship with external auditor

- (a) to consider and be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and 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 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Company

- (d) to monitor integrity of the Company's financial statements and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports 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 adjustment resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;

- (e) Regarding (d) above:
- (i) Members should liaise with the Board and senior management and the Committee must, meet at least twice a year, with the Company's auditor; and
 - (ii) the 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 and internal control procedures

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. 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 investigations findings on internal control matters as delegated by the Board or on its own initiative and managements response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditor, 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 the 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; and
- (m) to disclose, upon due and careful enquiries, its major views regarding the compliance and internal control related matters of the Company in the annual report of the Company in the 3 years immediately after listing of the shares of the Company on the growth enterprise market of the Stock Exchange.

Others

- (n) to report to the Board on the matters in the code provisions as stated in Appendix 15 of the GEM Listing Rules from time to time; and
- (o) to consider other topics, as defined by the Board.

7. Veto rights of the Committee

The committee has the following veto rights. The Group cannot implement any of the following matters which have been vetoed by the Committee:

- (a) to approve any connected transaction within the meaning of the GEM Listing Rules which requires an independent shareholder's vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive Directors and the independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or the internal audit manager or persons holding similar positions.

8. Reporting procedures

- 8.1 The Secretary shall circulate final versions minutes of Meetings and all written resolutions of the Committee to all members of the Board within a reasonable period of time after each Meeting. Draft and final versions of minutes of Meetings shall be circulated to all Members for their comment and records within a reasonable period of time after each Meeting.
- 8.2 The Secretary shall maintain as part of the Company's corporate records all approved minutes and reports.

9. Annual General Meeting of the Company

The Chairman or another Member shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders on the Committee's activities and responsibilities.

10. Continuing applications of the articles of association of the Company and "A Guide for Effective Committee"

- 10.1 The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and not inconsistent with the provisions herein shall apply, *mutatis mutandis*, to regulate the Meetings and proceedings of the Committee.
- 10.2 The provisions of "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants (previously known as "the Hong Kong Society of Accountants") in February 2002 and adopted by the Company on 4 November 2010 shall, to the extent not inconsistent with the provisions of these Regulations, be deemed to be incorporated into these Regulations, *mutatis mutandis*.

11. Powers of the Board

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