

中国忠旺控股有限公司*

China Zhongwang Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01333)

China Zhongwang Holdings Limited (the “Company”) Terms of Reference of the Audit Committee of the Board of Directors (the “Board”)

I. Constitution

The Board resolved to establish an Audit Committee (the “Committee”) under the Board at its meeting on 20 August 2008.

II. Membership

1. The Committee shall comprise no fewer than three members who must be non-executive directors;
2. The majority of the Committee members (“Member(s)”) shall be independent non-executive directors as prescribed by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (as amended from time to time), at least one of which must be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.21 of the Listing Rules;
3. The Chairman of the Committee shall be appointed and removed by the Board and must be an independent non-executive director;
4. All members of the Committee shall be appointed by the Board and can be removed by the Board at its sole discretion. The Board shall follow the requirements of the Listing Rules or other laws and regulations in changing the composition of the Committee;
5. A former partner of the Company’s existing auditing firm responsible for auditing the Company’s accounts shall not act as a member of the Committee for a period of one year commencing on the date (whichever is the later) of his ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial or economic interest in the firm;
6. The company secretary of the Company shall be the secretary of the Committee, who must respond in detail to the queries raised by any Member regarding the meeting procedures and the authority and duties of the Committee.

* For identification purposes only

III. Authority

1. The Committee is authorized by the Board to investigate any activity within its terms of reference. The Committee is empowered to request any necessary information from any employee and all employees have been instructed to cooperate and accede to its requests;
2. The Committee is authorized by the Board to consult external legal or any other independent professional opinions. External parties with related experience and professional knowledge may be invited, when necessary, to attend the meetings. The Board must ensure that the Committee has sufficient resources to perform its duties. The Company shall be responsible for the payment of all relevant costs.

IV. Duties

The Committee shall have the following duties:

A. Relationship with the Company's external auditors

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and the terms of engagement of the external auditor, and any questions of its resignation or dismissal;
2. to review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards. The Committee may resolve to adopt the following procedures:
 - (a) to consider all relations between the Company and the external auditor (including the provision of non-audit services);
 - (b) to seek information each year from the external auditor to learn about its policy and procedures for maintaining independence and monitoring the compliance of the relevant rules; including those for rotation of audit partners and staff.
3. to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
4. to develop and implement policy on the engagement of 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 shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

B. Review of financial information of the Company

5. to monitor integrity of financial statements of the Company and the Company's annual report and accounts, interim report and quarterly reports (if applicable), and to review any significant financial reporting judgments contained in them. In reviewing these accounts and reports before submission to the Board, the Committee shall focus particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgment areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting.
6. In regard to sub-paragraph B5:
 - (a) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the external auditors; and
 - (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting functions, internal control department or external auditors.

C. Oversight of the Company's financial reporting system, internal control and risk management procedures

7. to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems (including the review of reports prepared by internal control department on internal control procedures and criteria of the Company and its subsidiaries);
8. to discuss the risk management and internal control system with the management and to ensure that the management has performed its duty to have effective internal control 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;

9. to consider, as delegated by the Board or on its own initiative, major investigation findings on risk management and internal control matters and management's response to these findings;
10. 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;
11. to review the Group's financial and accounting policies and practices;
12. 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;
13. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

D. Other Duties

14. to report to the Board on all matters set out in the terms of reference;
15. to consider any other topics or matters, as defined by the Board;
16. to submit the internal control matters in respect of compliance issues to the Corporate Governance Committee (if applicable);
17. to review arrangements by which employees can, in confidence, raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow-up action;
18. to act as the key representative body for overseeing the Company's relations with the external auditor;
19. to formulate whistleblowing policy and mechanism by which employees and others who have a relationship with the Company (such as customers and suppliers) may raise, in confidence, any concern to the Committee about possible improprieties of the Company.

V. Reporting Procedures

1. The Committee should report to the Board directly its decisions or recommendations, except for those restricted by laws and supervisory regulations;
2. The secretary of the Committee shall circulate the minutes of the Committee meetings, reports of the Committee and relevant information to all directors of the Company.

VI. Meetings of the Committee

1. Frequency

The Committee shall hold meetings over reports prepared by internal control department on internal control procedures and criteria of the Company and its subsidiaries (“**Internal Control Procedure Meetings**”). The Committee shall meet at least twice a year (including the Internal Control Procedure Meetings). The external auditor may request that a meeting be held if they consider it necessary.

2. Notice

Notice of any meetings of the Committee has to be given at least 5 days prior to any such meeting being held, unless all Members unanimously waive such notice. The secretary of the Committee shall ensure that all items the Members request to be discussed are included in the meeting agenda. Irrespective of the length of notice being given, attendance of a meeting by a Member shall be deemed waiver of the requisite length of notice by the Member. Notice of any adjourned meetings is not required if adjournment is for less than 5 days.

3. Quorum

The quorum of the Committee shall be:

- (a) any two Members; and
- (b) the majority of the attending Members being independent non-executive directors.

4. Attendance

Members may participate in a meeting in person or through a conference telephone or other communications equipment by means of which all persons participating in the meeting are capable of hearing each other.

The following persons will normally attend all the meetings of the Committee, unless requested otherwise by the Committee:

- (a) external auditor;
- (b) head of internal control department;
- (c) Chief Financial Officer;
- (d) Company Secretary.

Other members of the Board may attend meetings of the Committee although only Members are entitled to vote at such meetings.

5. Resolutions

Resolutions of the Committee shall be passed by a majority of votes or unanimous written consent. Meetings can be held in person, by telephone or by video conference.

6. Minutes

The secretary of the Committee shall keep full minutes of all Committee meetings with details on matters considered (including matters noted and objections raised by any Member) by the Committee, the relevant resolutions and the voting results. Draft and final versions of the minutes of the Committee meetings shall be sent to all Members for their review and records respectively, each within a reasonable time after the meeting.

The minutes of all of the Committee meetings shall be delivered to other Board members simultaneously when they are sent to the Committee Members.

VII. Publication of these Terms of Reference

These terms of reference will be posted on the websites of the Stock Exchange and the Company.

VIII. Miscellaneous

These Terms of Reference were passed by the Board and became effective on the day when the shares issued by the Company were first listed and traded on The Stock Exchange of Hong Kong Limited. These Terms of Reference were amended by the Board and shall be applicable to the Company's financial year beginning on 1 January 2016 and beyond, reflecting the practice of the Committee. The Board shall have the power to amend and interpret these Terms of Reference pursuant to the amendments to the Listing Rules issued by The Stock Exchange of Hong Kong Limited from time to time.