

Capinfo Company Limited

Terms of Reference of the Audit Committee of the Board of Directors (revised)

Chapter 1 General Provisions

Article 1 To enhance the governance of internal control of Capinfo Company Limited (hereinafter referred to as the “Company”) and promote the effective supervision of the Board on the management, the Audit Committee of the Board of Directors (hereinafter referred to as the “Audit Committee”) was specifically established and this Terms of Reference was specifically formulated in accordance with the laws and regulations of the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules”), “A Guide for Effective Audit Committees” and the Articles of Association of Capinfo Company Limited (hereinafter referred to as the “Articles of Association”).

Article 2 The Audit Committee is an ad hoc committee under the Board, which assists the Board to review the financial reporting procedures of the Company independently, oversee the effectiveness of the internal control and risk management of the Company, supervise the audit procedures and carry out other tasks assigned by the Board.

Article 3 The effective operation of the Audit Committee depends on the cooperative and supportive attitude of the management who shall provide relevant information and resources, response to the demand of the Audit Committee and implement its recommendations.

Chapter 2 Composition

Article 4 The Audit Committee shall comprise at least three members who shall all be non-executive directors and the majority of which (including the chairman) shall be independent person, of which at least one member shall possess appropriate professional qualifications as required by Rule 3.10(2) under the Listing Rules, or shall be independent non-executive directors who has appropriate accounting and relevant financial management expertise. Chairman of the Audit Committee shall be an independent non-executive director. Members of the Audit Committee shall be faithful and dedicated to the Company.

Article 5 For any former partner of any audit firm who was responsible for the audit of the Company's account, he/ she shall not take up any duty as a member of the Audit Committee of the Company one year after his/her ceasing to be the partner of the audit firm or his/her ceasing to share the financial benefit of the Company, whichever is later.

Article 6 The Audit Committee has one Chairman (the convener) (being independent non-executive director) who, together with the committee members shall be elected by the Board.

Article 7 Chairman of the Committee shall be responsible for convening and presiding meetings of the Audit Committee. If the Chairman fails to perform his/her duties, he/she shall appoint one committee member (independent non-executive director) to act on his/her behalf. In case the Chairman neither perform his/her duties nor appoint other members to act on his/her behalf, any one of the committee members shall report the same to the Board and the Board shall afterwards appoint one member (independent non-executive director) to take over the duties of the Chairman.

Article 8 The term of office of the members of the Audit Committee shall be the same as that of the Board. A member may serve consecutive terms if re-elected upon expiry of his term. Before expiry of the term of office, the Committee member shall not be removed without any reason, unless any incompetency as stated under the Company Law or this Terms of Reference appears. If any member ceased to act as a director of the Company during his term of office, he shall automatically lose his position as member of the Audit Committee, and the vacancy shall be filled by the Board in accordance with the relevant provisions.

Article 9 Any member of the Audit Committee may resign before expiry of his term and shall submit a written resignation report to the Board, which is subject to the approval of the Board. Before the new member elected, the original member shall continue to perform the relevant duties in accordance with the requirements of this Terms of Reference.

Article 10 In case of the number of members of the Audit Committee is less than two thirds due to resignation , removal or other reasons, or the independent non-executive directors cannot make up the majority, the Board of the Company shall elect new members as soon as practicable.

Article 11 Secretary of the Board is responsible for assisting the Audit Committee in the preparatory work of the meeting and the daily liaising work.

Chapter 3 Duties and Powers

Article 12 The main duties of the Audit Committee shall include:

- (1) to make recommendation to the Board on the appointment, reappointment and removal of external auditor, and to approve the remuneration and the terms of engagement of external auditor, and any questions of resignation or dismissal of that auditor;
- (2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to discuss with the external auditor before the audit commences, the nature and scope of the audit and the relevant reporting obligations and ensure co-ordination where more than one audit firms are involved;
- (3) to develop and implement policies on the engagement of an external auditor to provide non-audit services;
- (4) to conduct regular assessment on the performance of all the responsible staff in charge of the financial, audit and other departments of the Company;
- (5) to monitor the financial, accounting policies and practices of the Group, including the financial controls, risk management and internal control system of the Company, to review reports of risk management and internal control system, financial statements and results reports before submitting to the Board, to check the completeness of the statements and reports; and to review the significant opinions concerning the issue of financial reporting therein, in particular:
 - (i) any changes in accounting policies and practices;
 - (ii) areas that involve material judgment;
 - (iii) significant adjustments required after the completion of audit;

(iv) the going concern assumptions and any qualified opinions ;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and other relevant regulations.

(6) to discuss with the auditors about any issues or doubt appears during the audit of the annual accounts and review of interim accounts, to consider any issues raised by the accounting and financial reporting staff and compliance officer of the Company and to discuss other matters that the auditors wish to discuss (in the absence of the management if necessary);

(7) to liaise with the Board and Senior Management and to meet at least twice a year with the external auditors;

(8) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of accounting records, financial accounts or system of control and management's response and to ensure timely response by the Board to any matter raised by the auditor;

(9) to supervise the setting up of comprehensive internal audit, review system, and to review and monitor any significant connected transactions;

(10) to study the findings of major investigations concerning the risk management and internal control matters and the management's response to the findings on its own initiative or as delegated by the Board;

(11) to discuss with the management the risk management and internal control systems and ensure that the management has discharged its duties to have an effective systems, the contents of discussion shall include whether the resources for accounting and financial reporting function, and the qualification and experience of the responsible staff are adequate and whether the staff received sufficient training and there are enough of the budget, and to ensure the co-ordination between internal audit department and external auditor, and to ensure that the internal audit department is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(12) to coordinate with the Supervisory Committee on audit activities;

(13)to act as the main representative between the Company and external auditor to monitor the relationships between them;

(14)to activate e-mail account (audit@capinfo.com.cn) specifically for staff for reporting and raising the matter with regard to the financial report, internal control of the Company or other matters with respect to any misconduct exists, in order to raise concern, take appropriate action and request the Company undertake a fair and independent investigation; the Company is responsible for informing all the staff about the email address and usage by internal circular;

(15)to report to the Board regarding the matters of this Terms of Reference;

(16) to perform other duties delegated by the Board.

Article 13 Duties of the Chairman of the Audit Committee:

(i) The chairman of the Audit Committee shall keep close relationship with the Board and to ensure the Board full comprehension of the working progress and planning of the committee; to maintain good working relationship with the chief financial executive; to ensure that information about relevant matters can be effectively shared; to communicate directly with the external auditor to understand the working progress and results of the audit work and to pay particular attention to the extent and frequency of the communication between the head of internal audit department and the members of the Audit Committee.

(ii) The chairman of the Audit Committee shall understand clearly that the Committee starts its work when performing its duties, and declare its stance when disputes exist.

(iii) The chairman of the Audit Committee shall supervise the work of the committee and ensure that the committee performs duties in accordance with relevant laws and regulations and the related requirements of this Terms of Reference.

Article 14 The Board shall respect all recommendations made by the Audit Committee in respect to the appointment or change of external audit firm and, unless there are sufficient reasons or reliable evidence, shall not suspend the consideration of or refuse the vote on the relevant recommendations.

Article 15 All relevant departments of the Company shall cooperate with the Audit Committee. The Audit Committee may employ intermediaries to provide professional advices when necessary at the expense of the Company.

Article 16 The Audit Committee has the authority to conduct internal audit on the financial activities and profit and loss status of the Company of the last financial year or the year under review. Other relevant departments of the Company shall cooperate in this regard and provide timely the necessary information to the Audit Committee.

Article 17 Members of the Audit Committee are entitled to access the following information:

- (i) periodic report or ad hoc report of the Company;
- (ii) financial and accounting information like audit report, financial statements, book of accounts, certificates, etc.
- (iii) various management systems of the Company;
- (iv) minutes of the general meetings, board meetings, meeting of supervisory committee, meetings of the office of Chief Executive Officer and other meetings;
- (v) information disclosure document announced by the Company;
- (vi) various material contracts and agreements entered into by the Company;
- (vii) other relevant information deemed necessary by the Audit Committee.

Article 18 Members of the Audit Committee could raise any questions or inquiries in respect to any issue to any director and senior management of the Company, whereupon the director and senior management shall answer or explain the questions or inquiries timely.

Article 19 Members of the Audit Committee shall express their internal audit opinions to the financial activities as well as the conditions of income and expense of the Company of the last financial year and the year under review in accordance with their understanding of the information of the conditions.

Article 20 Members of the Audit Committee shall be obliged to keep the corporate information acquired confidential prior to the disclosure of such information according to the legal procedures by the Company.

Article 21 The Audit Committee shall submit to the Board a detailed written report to explain its working status and review results, in which, the following aspects shall be included (as the case may be):

- (i) financial reporting and other aspects;
- (ii) internal control and risk management;
- (iii) audit;
- (iv) other duties and obligations.

Chapter 4 Convening and Notice of Meeting

Article 22 Meetings of the Audit Committee shall be held at least twice a year on a regular basis. The information about the meeting shall be given to all committee members in writing not less than three (3) days before the meeting.

Article 23 Chief financial officer, head of the internal audit department and representative from external auditor shall attend the meeting of the Audit Committee. The respective directors, supervisors, senior management and other participants in connection with resolutions of the meeting shall be invited to be present in the meeting as the committee thinks necessary, but such participants who are not members of the Audit Committee have no voting rights.

Article 24 Meetings of the Audit Committee could either be held by convening a meeting with the attendance in person of all participants, or by other communication means like fax, video conference, video phone, telephone, etc.

Article 25 The notice of the meeting of the Audit Committee shall be given in writing and shall include the following:

- (1) time and venue of the meeting;

(2) issues to be discussed at the meeting;

(3) contact person and way of contact ;

(4) date of the notice of the meeting.

The Secretary of the Board is responsible for the prior preparation work of the decision making of the Audit Committee. The agenda with full content should be enclosed when notices of the meetings are dispatched.

Chapter 5 Proceedings of the meetings and voting procedures

Article 26 The meeting of the Audit Committee can only be held with the attendance of more than two-thirds of the members of the Audit Committee. Each member is entitled to have one vote and the resolution made in the meeting is deemed to be effective when passed by more than half of the votes by all members.

Article 27 Members of the Audit Committee can attend and vote at the meeting in person or by proxy, however, the proxy must be an independent non-executive director, otherwise the authorization shall be deemed to be invalid.

Article 28 If a proxy is appointed to attend and vote at the meeting on behalf of any committee member, an instrument of proxy shall be submitted to the Chairman of the meeting. To be valid, an instrument of proxy shall be dispatched to the Chairman of the meeting no later than the date of the meeting. Where members appointed other members to present in the meetings on behalf of him, it shall not be counted as the attendance of that member.

Article 29 The instrument of proxy shall be signed by the appointer and the proxy, and shall at least include the following:

(i) the name of the appointer;

(ii) the name of the proxy;

(iii) entrusted matters;

(iv) instructions on exercising voting right (for, against or abstain) on the resolutions, and if no specific instruction, whether the proxy could vote at his own discretion or not;

(v) duration of the proxy;

(vi) the date of signing of the instrument of proxy.

Article 30 Where a member of the Audit Committee fails to attend the meeting in person or fails to appoint another member to attend such meeting, he shall be deemed to have abstained from voting at such meeting.

Article 31 Where a member of the Audit Committee fails to attend two consecutive meetings without reasons and also fails to appoint another member to attend such meeting on behalf of him, he shall be deemed to be unable to perform his duties, and the Board of the Company may revoke his title as a committee member.

Article 32 At the meeting, members of the Audit Committee will discuss all relevant businesses, and according to the voting rules, all resolutions shall be voted one by one according to the procedures after discussion.

Article 33 Members attending the meeting shall bear a serious and responsible manner to express individual opinions when considering the motions; members shall bear the responsibility for their own vote.

Article 34 Voting of the Audit Committee shall be given by a show of hands. The voting intent may be pro, con or abstention. The chairman of the meeting shall announce the voting results in the meeting.

Chapter 6 Resolution of Meeting and Minutes

Article 35 With effective numbers of vote, and after announced by the chairman, every motion shall become a resolution of Audit Committee, and shall be effective upon signing of all committee members.

Article 36 Chairman of the Audit Committee or secretary of the Board shall report the results of the meeting to the Board of the Company in a timely manner.

Article 37 Chairman and members of the Audit Committee shall follow up and examine the implementation of the resolutions.

Article 38 The minutes of meeting of Audit Committee shall be made in writing. Members attending the meeting are entitled to request that an explanation of his comments made at the meeting be noted in the written minutes. Minutes shall be kept by the secretary of the Board. The first and the final draft of the written minutes of meeting will be circulated to all members of the Audit Committee within a reasonable time after the meeting. The first draft is provided for each member to express opinions while the final draft is used as the minutes.

Article 39 The minutes of the meeting of the Audit Committee shall at least include:

- (i) the date, venue and the convener of the meeting;
- (ii) the names of members attending the meeting and, in case of proxy, shall also be specified;
- (iii) the agenda of the meeting;
- (iv) comments of members;
- (v) the way of voting and the voting results of each resolution or motion (the voting results shall set out the respective number of pros, cons and abstentions);
- (vi) other matters which shall be described and recorded in the minutes.

Article 40 Records of the meetings of the Audit Committee, including the documents like notices of meeting, information used in the meeting, instruments of proxy, minutes signed and certified by the Committee members, resolutions, etc. shall be kept by the secretary of the Board for a period of 10 years.

Article 41 Prior to the announcement of the resolutions of the Audit Committee by the Company pursuant to the law, all Committee members, participants of the meetings, personnel for recording and servicing shall keep confidential to the content of the resolutions.

Chapter 7 Abstinence

Article 42 If a member of the Audit Committee and his/her family, or the joint stock or holding company of that member is directly or indirectly interested in any resolutions discussed in the meeting, such member shall disclose to the Audit Committee of the nature and extent of his interest as soon as practicable.

Article 43 If the situation of aforesaid occurs, the interested member shall give details of the relevant matters in the meeting of the Audit Committee and declares to abstain from voting.

Article 44 Member who is interested in the matters for consideration of resolution will not be counted for quorum. If the number of members of the Audit Committee cannot meet the quorum after the abstinence of the interested member, all members (including the interested member) shall submit the resolution to the Board of the Company for consideration of such resolutions.

Article 45 The minutes of the meeting of the Audit Committee and the meeting resolutions shall explain the abstinence of interested member.

Chapter 8 Supplementary Provisions

Article 46 Any matters uncovered under this Terms of Reference shall be implemented pursuant to the relevant laws, regulations and the Articles of Association. If this Terms of Reference has any conflicts with laws and regulations to be promulgated by the State in future, or the Articles of Association as amended after legal proceedings, this Terms of Reference shall be executed and altered thereupon according to the requirement of the relevant laws and regulations of the State and the Articles of Association, and put forth to the Board for consideration and approval.

Article 47 This Terms of Reference shall be construed and amended by the Board.

Article 48 This Terms of Reference shall take effect from the date of passing by the Board of the Company.

Capinfo Company Limited
(amended in November 2015)