CCIDConsulting

賽迪顧問股份有限公司

CCID CONSULTING COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock code: 02176)

www.ccidconsulting.com

Terms of Reference for the Audit Committee of the Board

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to further enhance the decision-making functions of the Board of Directors (the "**Board**") of CCID Consulting Company Limited (the "**Company**") and give full play to the supervisory role of the Audit Committee to maintain audit independence, strengthen the audit evaluation and oversight mechanism of the Board, ensure effective supervision of the Board and improve the corporate governance structure, the Audit Committee of the Board of the Company is established in accordance with the Company Law of the People's Republic of China (the "**Company Law**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Articles of Association of CCID Consulting Company Limited (the "**Articles of Association**") with the following Terms of Reference.

Article 2 The Audit Committee is a specific working body established by the Board. The Committee is primarily responsible for coordinating, overseeing and inspecting internal and external audits, reviewing financial information and its disclosure, and supervising and inspecting decision-making regarding significant matters. It is accountable to the Board.

CHAPTER 2 COMPOSITION

Article 3 The Audit Committee shall consist of not less than three Directors. Membership shall be confined to non-executive directors only, a majority of whom should be independent non-executive directors and at least one of the independent non-executive directors must possess appropriate professional qualifications or accounting or related financial management expertise. Members of the Audit Committee shall be elected and removed by a majority vote of the Directors.

Article 4 The Board shall appoint the chairman of the Audit Committee, who shall be an independent non-executive director, to preside over the works of the Committee; the chairman shall be nominated by the Audit Committee members from among the independent non-executive directors and be elected and removed by a majority vote of the Committee members.

Where the chairman is unable to or fails to discharge the duty, an independent non-executive director shall be elected by over one half of the members to act in his stead.

Article 5 The Audit Committee shall have a term of office consistent with that of the Board. If a member no longer occupies a position as a Director of the Company during the term of office, he shall automatically lose his identity as a member.

A member of the Audit Committee may submit his resignation report in writing to the Board prior to the expiry of his term of office. The resignation report shall contain necessary explanation as to such reasons for resignation and matters which need attention of the Board.

Upon the loss of qualification or the permission to resign as the Audit Committee member, a vacancy shall be filled in accordance with the provisions of Article 3 to 4. The term of office for the new member shall terminate at the end of his term of office as a director.

A member of the Committee shall not, before the expiry of his term of office, be relieved of his duties without cause except for the situations specified in the Company Law, Articles of Association or Listing Rules.

Article 6 The Audit Committee may appoint a working unit as the daily administrative body to take charge of daily communications and the organisation of meetings under the leadership of the Secretary of the Board and the Chief Finance Officer of the Company. Members of the working unit do not have to be a member of the Audit Committee.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 7 The main duties of the Audit Committee are as follows:

(i) Relationship with the 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 terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor;

2. to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standards; and the Audit Committee shall discuss with the auditors the nature and scope of the audit and related reporting obligations prior to commencement of an audit, and negotiate with the external audit firm to determine the schedule of auditing the financial report for the year, as well as urge the external audit firm to issue the audit report within the predetermined timeframe and so forth. If more than one external audit firms are involved in the audit, the Committee shall make sure they coordinate with each other;

3. to formulate and implement policies concerning the provision of non-audit services by external auditors; 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 in possession of all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. to act as the key representative body for overseeing the Company's relations with the external auditor.

(ii) Review of financial information of the Company

1. to ensure the completeness of the financial statements and annual reports and accounts and interim reports of the Company, and review the significant opinions on financial reporting contained therein, as well as the disclosure of the Company's financial information.

   In this respect, the Committee shall pay special attention to the following issues when reviewing the annual reports and accounts and interim reports which are to be submitted to the Board:

   (1) any change in accounting policies and practices;

   (2) any issue relating to any major judgment;

   (3) any significant adjustment resulting from the audit;

   (4) the going-concern assumption and any qualifications concerning it;

   (5) the status of compliance with accounting standards; and

   (6) the status of compliance with the Company Law, the Listing Rules and other legal requirements in relation to financial reporting;

2. For the purpose of item (1) above:

   (1) Members of the Committee shall keep in touch with the Board and senior management personnel and accounting personnel of the Company. The Committee shall convene at least two meetings a year with the Company's auditors; and

   (2) The Committee shall consider any significant or unusual matter that is, or may need to be, reflected in such reports and accounts and shall pay due attention to any matter that has been raised by accountants or the compliance officer or auditors of the Company;

(iii) Oversight of the financial reporting system, risk management and internal control systems

1. 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;

2. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective 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;

3. to review whether employees of the Company are able to raise concerns in confidence about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation and for appropriate follow-up action;

4. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

5. where an internal audit function exists, to ensure coordination 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;

6. to review the Group's financial and accounting policies and practices;

7. to act as the key representative between the Company and the external auditor and oversee their relationship;

8. to review the external auditor's management letter, any material queries raised by the auditor with management about accounting records, financial accounts or systems of control and management's response;

9. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

10. to supervise the employees of the Company as to potential or possible improprieties in financial reporting, internal control or other matters;

11. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Code;

12. to report to the Board on the matters in the Corporate Governance Code; and

13. to consider other topics, as defined by the Board.

(iv) Other duties stipulated by laws, administrative regulations, the listing rules of the stock exchange in the place where the stocks of the Company are listed, and the Company's Articles of Association

Article 8 The Audit Committee is accountable to the Board, and the proposals of the Committee shall be submitted to the Board for consideration and decision making. The Audit Committee shall work in accord with the audit activities of the Supervisory Committee of the Company.

Article 9 The authorities of the Audit Committee are as follows:

(i) the right to periodically monitor the work reports of the internal audit body of the Company and the financial and accounting institutions to obtain internal and external audit reports and financial reports on a regular basis. The Committee may require internal and external audit bodies to conduct a special audit and provide work and consulting reports, and may also hire legal advisers to obtain legal advice when necessary;

(ii) the right to obtain the Company's annual production and operation plans, the annual financial budget, reports on substantial investment matters, important contracts and agreements, and all information deemed necessary by the Committee;

(iii) the right to visit the external audit and advisory body, important customers and suppliers, major creditors and debtors. The Committee may carry out special investigations, such as on-the-spot investigations, identification of assets, circularisation of significant credit and debt, investigation and evidence collection with regard to the parties when necessary.

Article 10 The Company shall provide members with the working conditions necessary for the performance of their duties. The Secretary of the Board and the Chief Financial Officer of the Company shall provide assistance to members in the performance of their duties, including but not limited to briefing, providing materials, coordinating relevant departments, preparing meetings of the Audit Committee and assisting with the implementation of resolutions made by the Audit Committee.

The Company's personnel concerned shall actively cooperate with the members of the Committee in the exercise of their authority and shall not withhold their cooperation, engage in obstruction or concealment, or interfere with the exercise of such authority.

Article 11 Members shall not obtain additional, undisclosed interests from the Company and its major shareholders or interested bodies and personnel except in the case of salaries and allowances they have received as the Company's directors or independent directors, as determined by the general meeting of shareholders in accordance with relevant laws, regulations, regulatory documents, and the Articles of Association.

CHAPTER 4 DECISION MAKING PROCEDURES

Article 12 The working unit under the Audit Committee is responsible for making preliminary preparations for the decision making process of the Audit Committee and providing relevant written information of the Company in relation to:

(i) relevant financial reports of the Company;

(ii) work reports of internal and external auditors;

(iii) external audit contracts and relevant work reports;

(iv) public disclosure of information made by the Company;

(v) audit reports on major connected transactions of the Company;

(vi) financial and legal information about major investment projects;

(vii) relevant work reports on the Company's internal control and its implementation;

(viii) other related matters.

Article 13 The Audit Committee shall convene meetings to discuss the reports submitted by the working unit, and shall submit its relevant written resolutions to the Board for consideration:

(i) appraisal of the work of external auditors, the engagement and replacement of external auditors, approval of the remuneration and appointment terms applicable to the external audit firm;

(ii) reports on whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are fair;

(iii) reports on whether the financial information disclosed publicly by the Company is objective, accurate and complete and whether major connected transactions of the Company are in compliance with relevant laws and regulations;

(iv) appraisal of the work of the internal financial department and the audit department, including their staff in a position of authority;

(v) other relevant matters.

Article 14 In the preparation and the disclosure of the Company's annual financial report, the Audit Committee shall comply with the following working rules and procedures:

(i) to negotiate and determine, in a timely manner after the end of a financial year, the schedule of the audit work for that financial year with the external audit firm which is responsible for the audit of the Company's financial report of that year (hereinafter referred to as the "**Annual Audit CPA**");

(ii) to procure the issue of the audit reports by the Annual Audit CPA within the predetermined timeframe;

(iii) to review the financial accounting statements prepared by the Company before the Annual Audit CPA commences its work;

(iv) to review the financial accounting statements of the Company after the Annual Audit CPA has issued its preliminary audit opinion;

(v) to convene meetings of the Audit Committee for the review of the financial reports, make recommendations for the re-appointment or replacement of the Annual Audit CPA for the following year, and compile a report summarizing the audit work performed by the Annual Audit CPA for the Company during the current year.

CHAPTER 5 CONVENING AND NOTIFICATION OF MEETINGS

Article 15 The Audit Committee shall meet at least two times a year, convened by the chairman of the Committee, and shall keep all its members informed of the agenda three (3) days before the meeting.

Article 16 The chairman of the Committee shall convene a meeting within five (5) working days, if any one of the following circumstances occurs:

(i) joint proposal by one third of the directors;

(ii) joint proposal by half of the members of the Committee;

(iii) when necessary considered by the Board.

Article 17 The notice of meeting of the Audit Committee shall include the following contents:

(i) date and place of the meeting;

(ii) duration of the meeting;

(iii) reasons and issues;

(iv) date of notice.

Article 18 The notice of meeting shall be sent in the forms of faxes, letters, e-mails or other means.

CHAPTER 6 RULES OF PROCEDURE AND VOTING

Article 19 Two thirds of the members are required to form the quorum of an Audit Committee meeting. Members may attend the Audit Committee meeting in person or delegate other members to attend on their behalf. Members shall attend the meeting with a serious and responsible attitude and shall express a clear opinion on the matters discussed.

Article 20 If a member delegates another member to attend the meeting and exercise voting rights, he shall submit a power of attorney. The power of attorney shall record the name of the agent, matters concerning the agent, the scope of authorisation and the expiry date, and shall be signed or stamped by the appointer and submitted to the president of the meeting no later than the time when voting takes place in the meeting.

Article 21 If a member neither attends the meeting nor delegates another member to attend on his behalf, he shall be deemed to have waived the right to vote in that meeting.

Article 22 The meeting of the Audit Committee shall be presided over by the chairman of the Committee and, where he is unable to attend the meeting, he may appoint another member to preside over the meeting.

Article 23 When the Audit Committee votes, each member shall be entitled to one vote. Voting decisions include "For", "Against" and "Abstention". Resolutions of a meeting must be adopted by the affirmative votes of more than half of its members. The respective resolution or opinion shall be signed by members who attend such meeting of the Audit Committee. If a vote is taken by means of communication or by a show of hands, members of the Committee shall be deemed to have attended the meeting and agreed to the details of the resolutions by signing on the resolutions of the meeting.

Article 24 Resolutions of the Audit Committee meeting shall be passed by a show of hands, by poll or by voting via communication; a meeting may also be convened at which votes may be cast by telephone, video, fax, letter and e-mail. Provided that the attending member is in communication with the meeting, he shall be deemed the presence of the meeting.

Article 25 Directors, supervisors and other senior management personnel of the Company may be invited to attend meetings of the Audit Committee, if necessary. However, non-Audit Committee members do not have voting rights.

Article 26 The Audit Committee may, if necessary, engage an intermediary agency to provide professional advice on its decisions and the expenses so incurred shall be borne by the Company.

Article 27 When the Audit Committee meeting discusses a topic which raises issues with regard to members' interests, they shall recuse themselves from taking part in the vote on such topics and the number of votes they represent shall not be included in the total number of effective votes. In the event that a valid resolution cannot be reached in a meeting due to the abstention of any member of the Audit Committee, the relevant matters shall be considered directly by the Board.

Minutes and resolutions of the Audit Committee meetings shall clearly state the fact that interested members are not counted in the quorum and that they do not vote.

CHAPTER 7 RESOLUTIONS AND MINUTES OF MEETINGS

Article 28 The Audit Committee shall keep minutes of its meetings. Members present at a meeting shall sign the minutes of the meeting. Members present at a meeting have the right to request a descriptive record of their speeches at the meeting.

Article 29 The minutes of the meetings of the Audit Committee shall include the following contents:

(i) date, place and convener of the meeting;

(ii) names of members present at the meeting, those attendees who are proxies should be specified;

(iii) agenda;

(iv) main points of speeches of attending members;

(v) poll method and results for each resolution (the results of a poll shall clearly state the votes of affirmatives, negatives and abstentions).

Article 30 Archives of a meeting held by the Audit Committee, including meeting notices, meeting materials, letters of authorisation of members on behalf of attendants, votes, and minutes and resolutions of a meeting confirmed by the signature of attending members, shall be kept by the secretary of the Board.

Article 31 Any resolution passed or the results of a poll taken at a meeting of the Audit Committee shall be reported in writing to the Board by the chairman of the Audit Committee or the Secretary of the Board within two (2) days of a resolution having been passed.

Article 32 All members present at a meeting shall be obliged to keep confidential all matters discussed at the meeting and shall not disclose such information without authorisation.

CHAPTER 8 SUPPLEMENTARY PROVISIONS

Article 33 The Terms of Reference shall take effect from the date of approval by the Board of the Company.

Article 34 Any matters not covered by the Terms of Reference shall be implemented in accordance with relevant laws and regulations of the Company Law and the Listing Rules and the Company's Articles of Association. Where there is a conflict between the Terms of Reference and future laws and regulations to be promulgated by the State or the Company's Articles of Association as amended in accordance with legitimate procedures, the Terms of Reference shall be implemented in accordance with relevant laws and regulations of the State and the Company's Articles of Association and corresponding amendments to the Terms of Reference must be submitted to the Board for consideration and approval in a timely manner.

Article 35 The Terms of Reference shall be construed by the Board of the Company.