



SHENZHEN HIGH-TECH HOLDINGS LIMITED

深圳科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 106)

Terms of Reference for Audit Committee

The Board of Directors (the “Board”) of Shenzhen High-Tech Holdings Limited (the “Company”) resolved on 10th September 2005 to adopt this “Terms of Reference” and further resolved on 6th March 2009 and 13 December 2011 the revision of the its terms.

1. Composition

1.1 The Committee shall be composed of three members and appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist members of not less than two Non-Executive Directors of the Company.

1.2 The Chairman of the Committee shall be appointed by the Board.

2. Authority

2.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. 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 Committee.

2.2 The Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise when it deems fit.

3. Duties

The duties of the Committee shall include the following:-

Relationship with the Company’s auditors

3.1 to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;

- 3.2 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- 3.3 to develop and implement policy on engaging an external auditors to supply non-audit services. For this purpose, "external auditors" 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 the Company's financial information

- 3.4 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - 3.4.1 any changes in accounting policies and practices;
 - 3.4.2 major judgemental areas;
 - 3.4.3 significant adjustments resulting from the audit;
 - 3.4.4 the going concern assumptions and any qualifications;
 - 3.4.5 compliance with accounting standards; and
 - 3.4.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 3.5 Regarding to 3.4 above:-
 - 3.5.1 members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - 3.5.2 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

- 3.6 to review the Company's financial controls, internal control and risk management systems;
- 3.7 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;
- 3.8 to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 3.9 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;
- 3.10 to review the Group's financial and accounting policies and practices;
- 3.11 to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- 3.12 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- 3.13 to report to the Board on the matters in this Terms of Reference; and
- 3.14 to consider other topics, as defined by the Board.

4. Others

- 4.1 The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Stock Exchange's website and the Company's website.
- 4.2 Where the board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the board has taken a different view.
- 4.3 The Committee should be provided with sufficient resources to perform its duties.

4.4 The Committee should also require:

- (a) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (b) to act as the key representative body for overseeing the Company's relations with the external auditors.

5. Attendance at meetings

5.1 Executive Directors, the staff responsible for the accounting and financial reporting function and representative(s) of the external auditors shall normally attend meetings of the Committee. Other non-executive Directors shall also have the right of attendance. However, the Committee may request a meeting with the external auditors without executive Board members present when it deems fit.

5.2 The Company Secretary of the Company shall be the secretary of the Committee.

6. Frequency of meetings

Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

7. Quorum of meetings

Quorum for meetings of the Committee shall be two members.

8. Votes of meetings

At all meetings of the Committee, questions shall be decided by a majority of votes cast by members of the Committee present at the Meeting.

9. Minutes of meetings

The secretary of the Committee shall circulate the minutes of meetings of the Committee to all members of the Committee and the Board.