



ANXIN-CHINA HOLDINGS LIMITED

中國安芯控股有限公司

(incorporated in the Cayman Islands with limited liability)

AUDIT COMMITTEE

TERMS OF REFERENCE

Latest Version: Adopted on 28 March 2012

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Anxin-China Holdings Limited
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Audit Committee
Terms of Reference

1. CONSTITUTION

- 1.1 The Audit Committee was formed pursuant to the board resolution of the Company passed on 3 November 2003.
- 1.2 Revised on 25 September 2009 pursuant to the Code on Corporate Governance Practices effective on January 2009 and revised on 28 March 2012 in compliance with revised Code Provision of the Corporate Governance Code set out in Appendix 14 to the Listing Rules which will come into effect on 1 April 2012.
- 1.3 The revised version shall supercede any terms of reference previously adopted by the Board of Directors.

2 MEMBERSHIP

- 2.1 The members of the Audit Committee shall be appointed by the Board of Directors and must be an Independent Non-executive Director..
- 2.2 The Audit Committee shall consist of not less than three members, all of whom shall be Non-executive Directors or Independent Non-executive Directors and a majority of whom should be Independent Non-executive Director. In compliance with the requirement of the Listing Rules, at least one Independent Non-executive Director must have appropriate professional accounting or related financial management expertise or qualifications.
- 2.3 The Chairman of the Audit Committee must be an independent Director and appointed by the Board of Directors.
- 2.4 A former partner of the Company's existing auditing firm shall be prohibited from acting as a member of the Company's Audit Committee for a period of 1 year from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later.

3 MEETINGS

- 3.1 The Company Secretary shall be the secretary of the Audit Committee.
- 3.2 The Audit Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.
- 3.3 A quorum of the Audit Committee shall be any two members.
- 3.4 Notice of any meetings has to be given at least 3 days prior to any such meeting being held, unless all members unanimously waive such notice. Irrespective of the length of notice being given, a member attending the meeting shall be deemed waiver of the requisite length of notice of the meeting by the member. Notice of any adjourned meetings is not required if adjournment is for less than 7 days.
- 3.5 Meetings may be held in person, by telephone or video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 3.6 Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the members present.
- 3.7 A resolution in writing signed by all members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- 3.8 Full minutes of audit committee meetings should be kept by the secretary of the Audit Committee. Draft and final versions of minutes of the audit committee meetings shall be circulated to all members of the committee for their comment and records within a reasonable time after the meeting. Such minutes of meeting shall be opened for the Board's inspection.

4 ATTENDANCE AT MEETINGS

- 4.1 At the invitation of the Audit Committee, the Finance Director (where there is one), the Head of Internal Audit (where there is one), and a representative of the external auditors may attend the meetings.

4.2 However, at least once a year the Committee shall meet with the external auditors and internal auditors (where there is one) without executive Board members or management present.

4.3 Only members of the Audit Committee are entitled to vote at the meetings.

5 FREQUENCY OF MEETINGS

5.1 The chairman of the Audit Committee, in consultation with the secretary, shall decide the frequency and timing of its meetings. There shall be as many meetings as the Audit Committee's duties and responsibilities require.

5.2 The Audit Committee shall meet no fewer than two meetings a year. The Company's external auditors may request that a meeting be held if they consider it necessary.

6 AUTHORITY

6.1 The Audit Committee is authorized by the Board to inspect all accounts, books and records of the Company.

6.2 The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

6.3 A member of the Audit Committee may, through the company secretary, seek independent advice in appropriate circumstances at the Company's expense to discharge his/her duties as a member of the Audit Committee to the Company within its terms of reference.

6.4 The Audit Committee shall be provided with sufficient resources to discharge its duties.

6.5 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall arrange for the Corporate Governance Report to include an explanation of the Audit Committee's view and the reasons why the Board has taken a different view.

7 DUTIES & RESPONSIBILITIES

The Audit Committee shall have the following duty and responsibilities: -

Review of the Company's financial information

7.1 to monitor the integrity of Company's financial statements and the annual report and accounts, half-year report and, if prepared for publication, 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 on particularly on : -

- (a) any changes in accounting policies and practices;
- (b) major judgmental 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 Exchange Listing Rules and legal requirements in relation to financial reporting.

7.2 Regarding 7.1 above:-

- (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 Company's auditors; and
- (b) 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:

- 7.3 (a) to review the Company's financial controls and risk management systems;
- (b) 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;

- (c) to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (d) 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;
- (e) to review the group's financial and accounting policies and practices;
- (f) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters in the code provisions contained in the Code of Corporate Governance Practices set out in (and as amended from time to time) Appendix 14 to the Listing Rules;; and
- (i) to consider other topics, as defined by the Board;

Relationship with the Company's auditors

- 7.4 to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- 7.5 to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 7.6 to develop and implement policy on engaging an external auditor to supply non-audit services;

- 7.7 for the purpose of 7.6, “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;
- 7.8 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed; and
- 7.9 To act as the key representative body for overseeing the Company’s relations with the external auditor.

Relationship with the Company’s employees

- 7.10 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;
- 7.11 to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 7.12 where necessary, to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company.

8 REPORTING PROCEDURES

- 8.1 At the next meeting of the Board following a meeting of the Audit Committee, the chairman of the committee shall report to the Board on the findings and recommendations of the committee.

9 PUBLICATION OF THE TERMS OF REFERENCE

- 9.1 The Audit 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 Exchange’s website and the Company’s website.
- 9.2 The Chinese version of this document is for reference only. In case of any discrepancies or inconsistency between the English version and Chinese version, the English version prevails.