



**China Smartpay Group Holdings Limited**  
**中國支付通集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
(the “Company”)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

The Company’s audit committee (the “**Audit Committee**”) is established pursuant to a resolution passed by the board of directors (the “**Directors**”) of the Company (the “**Board**”) at a meeting held on 14 August 2009.

In these terms of reference, references to one gender shall include all genders and references to natural person(s) shall include corporation(s) and unincorporated association(s), unless the context otherwise requires.

**MEMBERSHIP, CHAIRMAN & SECRETARY**

1. **Membership:** Members of the Audit Committee shall be appointed by the Board and shall comprise a minimum of three members. All members of the Audit Committee must be non-executive Directors only and the majority of which must be independent non-executive Directors, and at least one of the members shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

The appointment of the chairman, the members and the secretary of the Audit Committee may be revoked, or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board.

A member of the Audit Committee may not appoint any alternate.

A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of one year commencing on the date of his or her ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

2. **Chairman:** The chairman of the Audit Committee (the “**Chairman**”) shall be appointed by the Board, and shall be an independent non-executive Director.

In the absence of the Chairman at any meeting of the Audit Committee, the remaining members of the Audit Committee present at any meeting convened in accordance with these terms of reference shall elect among the remaining member of the Audit Committee to act as the Chairman.

3. **Secretary:** The company secretary or in his absence, his delegate, shall be the secretary of the Audit Committee (the “**Secretary**”).

In the absence of the Secretary, the members of the Audit Committee present at the meeting shall elect another person to act as the secretary.

## **RESPONSIBILITIES**

The Audit Committee shall have the following responsibilities, powers, authorities and discretion:–

### **Relationship with the external auditors**

4. to make 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 resignation or dismissal of that auditor;
5. to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
6. to discuss with the external auditor before the audit commences the nature and scope of the audit and reporting obligations and to ensure co-ordination when more than one audit firm is involved;
7. to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
8. to act as the key representative body for overseeing the Company’s relation with the external auditor;

## **Review of financial information of the Company**

9. to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly reports before submission to the Board, the Audit Committee should focus particularly on:–
  - 9.1. any changes in accounting policies and practices;
  - 9.2. major judgmental areas;
  - 9.3. significant adjustments resulting from the audit;
  - 9.4. the going concern assumptions and any qualifications;
  - 9.5. compliance with accounting standards; and
  - 9.6. compliance with the GEM Listing Rules and other legal requirements in relation to financial reporting;
10. in regard to Clause 9 above:–
  - 10.1. members of the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors, effective from 1 April 2012; and
  - 10.2. the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matter that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors of the Company;
11. where the reports or accounts have been reviewed or audited, members of the Audit Committee shall discuss problems and reservations arising from such reviews or audits, and any matter the auditors of the Company may wish to discuss;

## **Oversight of the Company's financial reporting system, risk management and internal control systems**

12. to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

13. to review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
14. 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 and to make recommendations to the Board for improvement;
15. to discuss with the management the systems of risk management and internal control and ensure that management has discharged its duty to have effective systems including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
16. to consider any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiatives and management's response;
17. 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 monitor and review the effectiveness of the internal audit function;
18. to review the financial and accounting policies and practices of the Company and its subsidiaries (the "**Group**");
19. to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters;

#### **Others**

20. to report to the Board on the matters within the scope of responsibilities of the Audit Committee as set out in the code provisions as stated in Appendix 15 to the GEM Listing Rules;
21. to consider other topics, as defined by the Board.

#### **AUTHORITY**

The Audit Committee is authorized by the Board to exercise the following powers:–

22. to seek any information it requires from any employee of the Company and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Audit Committee and to supply information and answer questions raised by the Audit Committee;
23. to review the performance of the Group's employees in the accounting and internal audit department; and

24. to obtain outside legal or other independent professional advice and to secure the attendance of independent third parties with relevant experience and expertise at the meetings of the Audit Committee, if it considers this necessary.

## **PROCEEDINGS**

25. **Frequency:** The Audit Committee shall be held at least every three months to consider, among others, the Company's budget, revised budget and financial report prepared by the Board.

A meeting of the Audit Committee may be convened by the Secretary on request of the Board or any member(s) of the Audit Committee.

26. **Notice and agenda of Meeting:** A meeting of the Audit Committee shall be called by at least seven days' notice in writing and such notice of meeting may be exempted upon agreement of all the members of the Audit Committee.

Notice shall be given to each member of the Audit Committee orally in person or in writing or by telephone or by facsimile or electronic transmission at the telephone number or facsimile number or address or email address from time to time notified to the secretary by such member of the Audit Committee or by such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.

Notices of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting.

27. **Quorum:** The quorum shall be two members. If only two members are present in any meeting of the Audit Committee, at least one member must be an independent non-executive Director.

A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

Members may participate in any Audit Committee meeting by means of a conference telephone, electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

28. **Voting:** Questions arising at any Audit Committee meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes, the Chairman shall have a second or casting vote.
29. **Resolutions in writing and minutes of meetings:** A resolution in writing signed by all the 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. Any such resolution may be contained in a single document or may consist of several documents all in like form.
- The Secretary should keep full minutes of the Audit Committee meetings and shall be made available for inspection by any member of the Audit Committee and any Director at any reasonable time and on reasonable notice. Minutes of the Audit Committee should record in sufficient detail regarding the matters considered by the Audit Committee and decisions reached, including any concerns raised by any member of the Audit Committee or dissenting views expressed. Drafts and final versions of minutes of the Audit Committee meetings should be sent to all members of the Audit Committee for their comments and records respectively, in both cases within a reasonable time after the meeting is held.
30. **Attendance:** The finance controller, the head of internal audit of the Company (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors of the Company shall normally attend meetings of the Audit Committee, however they shall not be counted in the quorum.
- Other Directors who are not members of the Audit Committee shall have the right to attend any meetings of the Audit Committee, however they shall not be counted in the quorum.
31. **Meeting with external auditors** Effective from 1 April 2012, the Audit Committee shall meet with the external auditors of the Company in the absence of the executive Directors of the Company at least twice a year.

32. The Chairman or in the absence of the Chairman, another member of the Audit Committee should attend the Company's annual general meeting to answer any questions that may be raised thereat on the Audit Committee's activities and responsibilities.

#### **INTERPRETATION AND AMENDMENTS**

33. The power of interpretation of this Terms of Reference shall be vested in the Board.
34. The Board may amend this Terms of Reference from time to time.
35. If there is any inconsistency between the English and Chinese versions of these terms of reference, the English version shall prevail.