

**Terms of Reference for the Audit Committee of
BAWANG INTERNATIONAL (GROUP) HOLDING LIMITED
(the "Company")**

DEFINITIONS

1. For the purposes of these terms of reference (the "**Terms**"):-

"Audit Committee"	means the audit committee from time to time established by resolution of the Board in accordance with Article 117(1) of the Articles of Association of the Company and clause 2 of these Terms
"Board"	means the board of Directors of the Company
"Company Secretary"	means the company secretary of the Company from time to time
"Directors"	means the Directors of the Company
"Director(s) of Finance"	means the senior officers of the Company responsible for financial management of the Company as appointed by the Board from time to time
"Group"	means the Company and its subsidiaries and associated companies from time to time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries and associated companies, the present subsidiaries and associated companies of the Company or the businesses operated by its present subsidiaries and associated companies or (as the case may be) its predecessor
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Senior Management"	means the chairman, chief executive officer, vice chief executive officer, Directors of Finance, Company Secretary and any other officers of the Company appointed by the Board from time to time and any other officers of the Company whose remuneration package is, or is proposed to be, more favourable than that of any officer appointed by the Board and any other employees of the Company as determined by the Remuneration Committee from time to time
"Shareholders"	means the shareholders of the Company from time to time
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited

CONSTITUTION

2. The Board hereby resolves to establish a committee of the Board to be known as the Audit Committee.

MEMBERSHIP

3. The members of the Audit Committee shall be appointed by the Board from time to time from amongst the non-executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive Directors, and at least one of whom should be an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules.
4. A quorum of the Audit Committee shall be two members.
5. The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.
6. Each member of the Audit Committee shall disclose to the Audit Committee the following:-
 - (a) any and all personal financial interests (other than as Shareholder of the Company) in any Company matter related to any matter under consideration by the Audit Committee; and
 - (b) any potential conflict of interest arising from a cross-directorship or otherwise,and the secretary of the Audit Committee meeting shall also ascertain, at the beginning of the meeting, the existence of any conflict of interest and minute them accordingly.
7. Any member with any personal financial interest in any Company matter related to any matter under consideration by the Audit Committee or any potential conflict of interest howsoever arising, shall abstain from voting on resolutions of the Audit Committee in relation to which such interest or conflict of interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Audit Committee.
8. 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 ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm;whichever is the later.

MEETINGS

9. Unless otherwise specified hereunder, the provisions contained in the Company's Articles of Association (as amended from time to time) for regulating proceedings of Directors' meetings shall apply to the meetings of the Audit Committee.

10. Meetings of the Audit Committee shall be held at least twice annually.
11. The chairman of the Audit Committee shall convene a meeting upon written request of any member of the Audit Committee.
12. 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.
13. Unless otherwise agreed by all the members of the Audit Committee, notice of at least 14 days shall be given for any meeting of the Audit Committee. Agenda and accompanying supporting papers shall be sent to all members of the Audit Committee and to other attendees as appropriate at least 3 days before the date of the meeting (or such other period as the members may agree).
14. Members of the Audit Committee may participate in any meeting of the Audit Committee by means of a conference telephone 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.
15. The Directors of Finance and the head of internal audit of the Company (if any) shall attend Audit Committee meetings.
16. The Audit Committee shall invite the external auditors to attend meetings as it considers necessary.
17. The Audit Committee shall meet with the external (if any) annually without the executive Directors present.
18. The Company Secretary shall be the secretary of the Audit Committee. The Company Secretary or, in his/her absence, his/her delegate(s) or any person elected by the members present at the meeting of the Audit Committee, shall attend the meeting of the Audit Committee and take minutes.

WRITTEN RESOLUTIONS

19. Without prejudice to any requirement under the Listing Rules, written resolution may be passed and adopted by all members of the Audit Committee.

ANNUAL GENERAL MEETINGS

20. The chairman of the Audit Committee shall attend the annual general meeting of the Company and be prepared to respond to any questions posed therein on the activities or decisions of the Audit Committee.

AUTHORITY

21. The Audit Committee is authorised by the Board to discharge its duties within these Terms.

22. The Audit Committee is authorised by the Board to seek any information it requires from the Directors and/or Senior Management who must cooperate with the Audit Committee.
23. The Audit Committee is authorised by the Board to obtain external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if and when it considers necessary.
24. The Audit Committee shall be provided with sufficient resources to perform its duties.
25. The Audit Committee is authorised by the Board to have exclusive responsibility for establishing the selection criteria, selection, appointment and setting of the terms of reference for any external remuneration consultant retained to advise the Audit Committee.

DUTIES

26. The responsibilities and authorities of the Audit Committee shall include such responsibilities and authorities set out in the relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 of the Listing Rules (as amended from time to time), which shall include:
 - (a) to act as the key representative body for overseeing the Company’s relations with the external auditor;
 - (b) making recommendations to the Board on the appointment, reappointment and removal of the external auditor;
 - (c) approving the remuneration and terms of engagement of the external auditor;
 - (d) considering any questions relating to the resignation or dismissal of the external auditor;
 - (e) to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
 - (f) developing and implementing policies on engaging an external auditor to supply non-audit services and reports to the Board;
 - (g) report to the Board, identifying and making recommendations on any matters where action or improvement is needed; ;
 - (h) discussing with the external auditor the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
 - (i) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Senior Management where necessary) with the external auditor;
 - (j) monitoring integrity of financial statements, annual report and accounts, half-year report and quarterly reports, and reviewing significant financial reporting judgements contained therein;

- (k) in reviewing the Company's financial statements, annual report and accounts, half-year report and quarterly reports, the Audit Committee should focus particularly on: -
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (l) Regarding (k) above:
 - (i) members of the Audit Committee should liaise with the Board, Senior Management and the Company's qualified accountant;
 - (ii) the Audit Committee must meet with the Company's auditors at least twice a year; and
 - (iii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the financial statements, reports and accounts giving due consideration to any matters raised by the Company's staff responsible for the accounting and financial reporting function, qualified accountant, compliance officer or auditors;
- (m) reviewing the Company's financial controls, internal control and risk management systems;
- (n) discussing 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;
- (o) considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (p) ensuring co-ordination between the internal and external auditors;
- (q) ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company;
- (r) regularly reviewing and monitoring the effectiveness of internal audit;
- (s) reviewing the Group's financial and accounting policies and practises;
- (t) reviewing the external auditor's management letter;
- (u) reviewing accounting records, financial accounts or systems of control and management's response;

- (v) ensuring a timely response to issues raised in the external auditor's management letter;
- (w) reporting to the board on the matters set out in these Terms;
- (x) considering other topics, as defined by the Board;
- (y) reviewing arrangements employees of the Company and those who deal with the Company (e.g. customers and suppliers) may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and appropriate follow-up action; and
- (z) 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.

CORPORATE GOVERNANCE FUNCTIONS

- 27. The Audit Committee shall be responsible for the following corporate governance functions:
 - (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
 - (b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
 - (c) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
 - (d) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

REPORTING

- 28. The secretary of an Audit Committee meeting shall record in sufficient detail the matters considered by the Audit Committee and decisions reached, including the names of those present and in attendance and any concerns raised by any member of the Audit Committee and/or dissenting views expressed.
- 29. Draft and final versions of minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comment and records within a reasonable time after the meeting.
- 30. Minutes of the Audit Committee shall be kept by the Company Secretary and shall be available for inspection by any member of the Audit Committee or the Board at any reasonable time on reasonable notice.
- 31. The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 32. The Audit Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations

which come to its attention and are of sufficient importance to warrant the attention of the Board.

33. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Audit Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
34. The Audit Committee shall make these Terms available on the Company's and the Stock Exchange's website.

Miscellaneous

35. The adoption of, and amendments to, these Rules require the approval of the Board to be effective.
36. The interpretation of these Rules shall be vested in the Board.

Note: If there is any inconsistency between the English and Chinese versions of this Terms of Reference, the English version shall prevail.

Date: March 2012