

VXL CAPITAL LIMITED (the “Company”)

**AUDIT COMMITTEE
TERMS OF REFERENCE**

The Audit Committee (the “Committee”) is established as a Committee of the Board of Directors (the “Board”) with the following terms of reference (the “TOR”) covering the powers and duties of the Committee as delegated by the Board in accordance with Article 142 of the Company’s Articles of Association.

1) Membership

1.1 The members of the Committee (the “Members”) shall be appointed by the Board and shall consist of not less than three (3) Members who must be non-executive directors of the Company (“Non-Executive Directors”) only, the majority of whom shall be independent.

1.2 The Chairman of the Committee (the “Chairman”) shall be appointed by the Board who must be an independent non-executive director of the Company (“Independent Non-Executive Director”).

1.3 The Committee shall include at least a member who has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 (2) of The Stock Exchange of Hong Kong Limited (as amended from time to time) (the “Listing Rules”).

1.4 If a member of the Committee resigns or for any reason ceases to be a member with the result that the number of Member falls below three (3), the Board shall, within a reasonable time but not more than three (3) months, appoint such new members as may be required to make up the minimum of three (3) members.

1.5 All members of the Committee, including the Chairman, will hold office only so long as they serve as directors of the Company.

2) Secretary

2.1 The company secretary of the Company shall act as the secretary of the Committee (the “Secretary”) and is responsible for drawing up the agenda with the concurrence of the Chairman and circulating the same to Members within a reasonable time prior to each meeting.

3) Meeting

3.1 Conduct of Meeting

3.1.1 The Chairman shall normally chair the Meetings but in his absence, another Member who is an Independent Non-

Executive Director may be appointed to act as Chairman of the meeting.

3.1.2 The Committee may invite any person to be in attendance to assist in its deliberations (such as non-member directors of the Company, relevant members of the management, the external auditor and the internal auditor) and hold private sessions with any of them exclusively when considered necessary.

3.1.3 Unless specified by these terms of reference, meetings and proceedings of the Committee shall be governed by the Company's articles of association regulating the meetings and proceedings of the directors of the Company.

3.2 Quorum

3.2.1 The quorum for meetings of the Committee (the "Meetings") shall be two (2) Members, the majority of whom shall be Independent Non-Executive Directors.

3.3 Frequency of Meetings

3.3.1 The Committee shall hold a minimum of two (2) Meetings in a financial year.

3.4 Requisition of Meetings

3.4.1 The Chairman has the discretion to convene additional Meetings as deemed necessary. At the request of any member of the Committee, non-member directors and the chief executive officer of the Company, the Chairman shall convene a meeting to consider the matters brought to his attention.

3.5 Notice of Meetings

3.5.1 Unless otherwise agreed, notice of each Meeting confirming the venue, time and date shall be given to all Members and invitees at least 14 days before regular Meetings and within reasonable time for additional Meetings.

3.5.2 An agenda of items to be discussed together with relevant supporting papers, shall be sent, in full, to each Member in accordance with the practice of the Board governed by the Articles of Association of the Company. These should be sent in a timely manner and at least 3 days before the intended date of the Meeting (or other agreed period).

3.6 Minutes of Meetings

- 3.6.1 The Secretary shall be entrusted with the recording of all proceedings and keeping full minutes of all Meetings. Such minutes shall be available for inspection at any reasonable time on prior reasonable notice by any director of the Company.
- 3.6.2 The Secretary is responsible of assuring circulation of the draft and final versions of the minutes of Meetings to all Members for their comments and records respectively, within a reasonable time after the relevant Meetings are held.
- 3.6.3 Minutes of Meetings should record in sufficient details the matters considered by the Committee and decisions or recommendations reached, including any concerns raised by Members or dissenting views expressed.

4) Authority

The Committee shall have the authority:-

- 4.1 to investigate any activity within its terms of reference;
- 4.2 to secure all information and documents relevant to its activities without limitation including unrestricted access to the external auditor, the internal auditor and staff members;
- 4.3 to ensure possessing adequate resources to perform its duties and discharge its responsibilities;
- 4.4 to obtain outside legal or other independent professional advice at the expense of the Company and to secure the attendance of outsiders with relevant experience and expertise, if warranted; and
- 4.5 to be kept regularly updated on audit matters and be notified immediately of any fraud and material irregularities or internal control deficiencies.

5) Duties

The Committee's duties are:-

5.1 Relationship with the Auditor

- 5.1.1 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 question of its resignation or dismissal;
- 5.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in

accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

5.1.3 to develop and implement policy on engaging an external auditor to supply non-audit services. 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 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;

5.2 Review of the Company’s financial information

5.2.1 to monitor the 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:

- 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 Listing Rules and legal requirements in relation to financial reporting;

5.2.2 Regarding paragraph 5.2.1 above:

- a) members of the Committee should liaise with the Board, 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;

5.3 Oversight of the Company's financial reporting system and internal control procedures

5.3.1 to review the Company's financial controls, internal control and risk management systems, and 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;

5.3.2 to consider major investigation findings on internal control and other matters as delegated by the Board or on its own initiative and management's responses to these findings;

5.3.3 where an internal audit function exists, to ensure sufficient 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;

5.3.4 to review the financial and accounting policies and practices of the Company and its subsidiaries;

5.3.5 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 controls and management's responses and ensure the Board will provide a timely response, including implementation and rectification, to the issues raised in the external auditor's management letter;

5.3.6 to review the existence and propriety of any related party transactions and conflict of interest situations;

5.3.7 to review the corporate governance report and to approve the Committee's annual report on its activities;

5.3.8 to report to the Board on the matters in the code provision of paragraph C.3.3 of the Corporate Governance Code (Appendix 14 of the Listing Rules);

5.3.9 to consider other topics as defined by the Board;

5.4 Relationship with the employees of the Company

5.4.1 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 appropriate follow-up; and

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

5.5 Annual General Meeting

5.5.1 The Chairman, or in the absence of the Chairman, another member of the Committee or failing this his duly appointed delegate, shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

5.6 To periodically review the TOR of the Committee, and if warranted, to recommend a change of the TOR to the Board in order to ensure that the TOR is adequate, relevant and effective.

6) Reporting Responsibility

6.1 The Chairman shall report back to the Board on matters set out in these terms of reference and 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.)

7) Terms Available

7.1 The Committee shall make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on The Stock Exchange of Hong Kong Limited's website and the Company's website.

Revised and adopted on 30 March 2012

[This document is prepared in Chinese and English. In the event that there is any discrepancy or inconsistency between the two versions, the English version shall prevail.]