

VODATEL NETWORKS HOLDINGS LIMITED

Terms of Reference for Audit Committee

Purpose

- 1 The purpose of the Audit Committee is to assist the board of directors of Vodatel Networks Holdings Limited (“Company”) in considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the auditor of the Company (“Auditor”).

Composition

- 2 The Audit Committee shall be appointed by the board of the directors of the Company (“Directors”) from time to time and shall consist of a minimum of three non-executive Directors as members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required in 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 (“GEM Listing Rules”). The majority of the Audit Committee members must be independent non-executive Directors, one of whom shall be appointed as the Chairman of the Committee.

Meetings

- 3 The Audit Committee shall meet at least once annually, or more frequently if circumstances require.
- 4 The Chairman (or in his absence, a member designated by the Chairman) shall preside at all meetings of the Audit Committee. The Chairman shall be responsible for leading the Audit Committee, including scheduling meetings, preparing agendas and making regular reports to the board of Directors (“Board”).

Access

- 5 The Audit Committee shall have full access to management and may invite members of the management or others to attend its meetings.

Reporting Procedures

- 6 The Audit Committee shall evaluate and assess the effectiveness of the internal control procedures of the Company and the adequacy of this Audit Committee Terms of Reference and recommend any proposed changes to the Board.
- 7 Minutes of meetings of the Audit Committee and the record of individual attendance at such meetings shall be prepared by the secretary of the Company which shall be sent to all members as soon as practicable after the conclusion of any meeting of the Audit Committee.

Authority

- 8 The Audit Committee is authorised by the Board to obtain professional advice and assistance from internal or external legal, accounting or other advisors at the expense of the Company if necessary.

Responsibilities and Duties

- 9 The Audit Committee shall perform the following duties:
- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the Auditor, and to approve the remuneration and terms of engagement of the Auditor, and any questions of resignation or dismissal of that Auditor;
 - (b) to review and monitor the independence and objectivity of the Auditor and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the Auditor the nature and scope of the audit and reporting obligations before the audit commences;
 - (c) to develop and implement policy on the engagement of the Auditor to supply non-audit services. For this purpose, the 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 should 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;
 - (d) to monitor integrity of financial statements, annual report and accounts, half-year report and quarterly reports of the Company, and to review significant financial reporting judgements contained in them. In this regard, in reviewing the annual report and accounts, half-year report and quarterly reports of the Company before submission to the Board, the Audit Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental 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 GEM Listing Rules and other legal requirements in relation to financial reporting;

- (e) In regard to (d) above:
 - (i) members of the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least once a year, with the Auditor; and
 - (ii) 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 matters that have been raised by the staff responsible for the accounting and financial reporting function of the Company, compliance officer of the Company or the Auditor;
- (f) to review the financial controls, internal control and risk management systems of the Company;
- (g) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function of the Company, and their training programmes and budget;
- (h) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (i) where an internal audit function exists, to ensure co-ordination between the internal auditors and the Auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- (j) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (k) to review the management letter of the Auditor, 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the management letter of the Auditor;
- (m) to report to the Board on the matters set out in the code provisions in the Code on Corporate Governance Practices set out in Appendix 15 to the GEM Listing Rules; and
- (n) to consider other topics, as defined by the Board.