

**CHINA SUCCESS FINANCE GROUP HOLDINGS LIMITED**  
**(中國集成金融集團控股有限公司)**  
*(Incorporated in the Cayman Islands with limited liability)*

**TERMS OF REFERENCE OF  
THE AUDIT COMMITTEE**

**(adopted on 18 October 2013)**

**CHINA SUCCESS FINANCE GROUP HOLDINGS LIMITED**  
**Terms of Reference of the Audit Committee (adopted on 18 October 2013)**

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**Formation**

1. The audit committee (the “**Committee**”) of China Success Finance Group Holdings Limited (the “**Company**”) was formed pursuant to the resolution of the board of directors of the Company (the “**Board**”) passed on 18 October 2013.

**Composition and Quorum**

2. The Committee shall be appointed by the Board 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 of the Company. The quorum for a meeting of the Committee shall be two members.
3. At least one of the Committee members shall be an independent non-executive director of the Company with appropriate qualifications or accounting or related financial management expertise as required in Rule 3.10(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
4. The chairman of the Committee shall be appointed by the Board and should be an independent non-executive director of the Company.
5. A former partner of the Company’s existing external auditors should be prohibited from acting as a Committee member for a period of 1 year as calculated under the Listing Rules and applicable auditor independence rules.
6. The company secretary of the Company shall be the secretary of the Committee. The secretary of the Committee or in his/her absence, his/her representative or any one member of the Committee, shall be the secretary of the meetings of the Committee.

**Attendance at meetings**

7. Attendees shall normally include the Committee’s members, the head of internal audit (where an internal audit function exists), representative(s) of the external auditors and those with meaningful input to the Committee’s activities. However, at least once a year the Committee shall meet with the external and internal auditors (if any) without executive members of the Board present.

**Frequency and proceedings of meetings**

8. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.
9. The provisions of the articles of association of the Company regulating the meetings and proceedings of the meetings of the directors of the Company so far as the same are applicable and not inconsistent with the provisions of these terms of reference shall mutatis mutandis apply to regulate the meetings and the proceedings of the meetings of the Committee.

### **Authority**

10. The 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.
11. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Committee shall be provided with sufficient resources to discharge its duties.
12. The Committee is authorised by the Board to request the independent compliance department of the Company for information or report on non-compliance issues of the Company.

### **Duties**

13. The duties of the Committee shall be :
  - (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment 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;
  - (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
  - (c) 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 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 of the Company and the Company's 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 this regard, in reviewing the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, the 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 qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (e) in regard to (d) above:-
- (i) members of the Committee must liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
  - (ii) the 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 Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (f) to review the Company's financial controls, internal control and risk management systems;
- (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 Company's accounting and financial reporting function and the relevant 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) to discuss problems and reservations arising from the interim and annual audits, and any matters the auditor(s) may wish to discuss (in the absence of management where necessary);
- (j) 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 controls and management's response;
- (k) to review the Company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;

- (l) where an internal audit function exists, to review the internal audit programme, 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 the effectiveness of the internal audit function;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters set out in the terms of reference of the Committee and in the Code on Corporate Governance Practice (Appendix 14 of the Listing Rules);
- (o) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (p) to review arrangements by which employees at the Company 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 the fair and independent investigation of such matters and for appropriate follow up action;
- (q) to act as the key representative body for overseeing the Company's relationship with the external auditor; and
- (r) to consider other topics, as defined by the Board.

### **Reporting procedures**

- 14. The Committee shall report directly to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements).
- 15. The secretary to the Committee shall keep full minutes of all Committee meetings. Minutes of Committee meetings shall record in sufficient detail the matters considered by the Committee members and decisions reached, including any concerns raised by the Committee members and dissenting views expressed. Draft and final versions of minutes of meeting of the Committee shall be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting. The secretary shall also circulate the minutes of meetings, reports and all written resolutions of the Committee to all members of the Board.
- 16. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board taken a different view.

**Powers of the Board**

17. The Board may, subject to compliance with the articles of association of the Company and the Listing Rules, amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if these terms of reference or resolution had not been amended or revoked.

**Publication of these terms of reference**

18. A copy of these terms of reference will be made available to any person upon request.