

Revised on 26 March 2012

**Terms of Reference for the
Audit Committee of**

Zhongsheng Group Holdings Limited

Definitions

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

Audit Committee means the audit committee established by resolution of the Board in accordance with clause 2 of these Terms.

Board means the board of directors of the Company.

Chief Financial Officer means the senior officer of the Company responsible for financial management as appointed by the Board from time to time.

Company means Zhongsheng Group Holdings Limited

Company Secretary means any one of the joint company secretaries of the Company.

Directors means the members of the Board.

Group means the Company and its subsidiaries and associated companies at the relevant 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 mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).

Senior Management means the chairman, chief executive officer, chief operating officer, chief financial officer, vice presidents, joint company secretaries and any other officer of the Group determined by the Board from time to time as senior management of the Company.

Shareholders means the shareholders of the Company.

Stock Exchange means The Stock Exchange of Hong Kong Limited.

Constitution

2. The Audit Committee was established by resolutions of the Board on 8 May 2008.

Membership

3. The members of the Audit Committee shall be appointed by the Board from among the non-executive Directors and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules. The quorum for meetings of the Audit Committee shall be two members.

4. 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 from 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 later.

5. The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.

Attendance at meetings

6. The Chief Financial Officer, the personnel responsible for internal audit of the Company and a representative of the external auditors shall normally attend meetings of the Audit Committee. However, at least twice a year the Audit Committee shall meet with the external and internal auditors without the presence of the executive Directors.

Frequency and conduct of meetings

7. Meetings of the Audit Committee shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

8. An agenda and accompanying board papers should be sent in full to all members of the Audit Committee in a timely manner and at least 3 days before the intended date of a meeting of the Audit Committee (or such other period as agreed or waived by its members).

9. Senior Management is obliged to supply the Audit Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a Director requires more information than is volunteered by Senior Management, the relevant Director should make additional necessary enquiries. The Board and individual Directors shall have separate and independent access to the Senior Management.

Annual General Meetings

10. The chairman of the Audit Committee shall attend the Company's annual general meetings and be prepared to respond to any Shareholder's questions on the Audit Committee's activities.

Authority

11. The Audit Committee is authorised by the Board to investigate any activity within these Terms. 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 Audit Committee.

12. The Audit Committee is authorised by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Audit Committee shall be provided with sufficient resources to perform its duties. The Audit Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Audit Committee.

Duties

13. The duties of the Audit Committee shall include:

Relationship with the Group's auditors

- (a) being primarily responsible for making recommendations 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 to consider any questions of its resignation or dismissal;
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) developing and implementing 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 audit committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) discussing with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one audit firm is involved;
- (e) 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);

Review of financial information of the Group

- (f) monitoring integrity of the Group's financial statements, annual reports and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall 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 legal requirements in relation to financial reporting;
- (g) Regarding (f) above:
 - (i) liaising with the Board and Senior Management;
 - (ii) meeting, at least twice a year, with the Group's auditors; and
 - (iii) considering any significant or unusual items that are, or may need to be, reflected in the report and accounts and giving due consideration to any

matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

- (h) reviewing the Group's financial controls, internal control and risk management systems;
- (i) discussing the internal control system with Senior Management to ensure that Senior 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 Group's accounting and financial reporting function;
- (j) considering major investigation findings on internal control matters as delegated by the Board or on its own initiative and Senior Management's response to these findings;
- (k) where an internal audit function exists, ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring its effectiveness;
- (l) reviewing the Group's financial and accounting policies and practices;
- (m) reviewing the external auditor's management letter, any material queries raised by the auditor to Senior Management about the accounting records, financial accounts or systems of control and Senior Management's response;
- (n) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) reporting to the Board on the matters in these Terms;
- (p) reviewing arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up action;
- (q) acting as the key representative body for overseeing the Group's relations with the external auditor;
- (r) establishing a whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Group;
- (s) performing any other duty prescribed by law, regulation and rules, as amended from time to time, which set forth obligations for the Company to comply with; and
- (t) considering any other topics, as defined by the Board.

Disagreement as to external auditors

14. In the event the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report issued by the Company a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Reporting procedures

15. Full minutes of the Audit Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary or his/her appointed delegate), and shall be available for inspection at any reasonable time on reasonable notice by any Director.

Minutes of meetings of the Audit Committee shall record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes should be sent to all members of the Audit Committee for their comment and records within a reasonable time after such meetings.

16. Without prejudice to the generality of the duties of the Audit Committee set out in these Terms, the Audit Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Terms available

17. The Audit Committee shall make available these Terms explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.