



宝德科技集团股份有限公司
POWERLEADER SCIENCE & TECHNOLOGY GROUP LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 8236)

**Terms of Reference and Job Specifications of
the Audit Committee under the Board of Directors**

Chapter 1 General Provisions

- Article 1 Powerleader Science & Technology Group Limited (hereinafter referred to as the “Company”) set up the Audit Committee under the Board of Directors and formulated these Terms of Reference and Job Specifications in accordance with the provisions of the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), Code of Corporate Governance for Listed Companies, the Articles of Association of Powerleader Science & Technology Group Co., Ltd (hereinafter referred to as the “Articles of Association”) and other relevant regulations in order to strengthen the decision-making functions of the Board of Directors, to achieve the effective supervision of the financial conditions and operation of the Company, to conduct audit in advance and professional audit so as to ensure the effective supervision of the management by the Board of Directors and to further improve the corporate governance structure.
- Article 2 The resolutions of the Audit Committee shall be in compliance with the Articles of Association, these Terms of Reference and Job Specifications and provisions of other relevant laws, regulations and regulatory documents.
- Article 3 The Audit Committee shall perform its duties independently within the scope of the duties stipulated by the Articles of Association and these Terms of Reference and Job specifications and be free from the interference of other departments of the Company.

Chapter 2 Institution and Composition

- Article 4 The Audit Committee shall comprise a minimum of 3 members (the “Member”), all of which shall be non-executive directors. The majority of the Members shall be independent non-executive directors and at least one Member is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required in Rules 5.05(2) Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.
- Article 5 The Members shall be appointed by the Board of Directors.
- Article 6 A former partner of the Company’s existing auditing firm should be prohibited from acting as a Member for a period of 1 year 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.
- Article 7 The Audit Committee shall have a chairman who shall be an independent non-executive Director to preside over the works of the Committee. The chairman of the Committee shall be appointed by the Board of Directors.
- Article 8 The chairman of the Audit Committee shall be responsible for convening and presiding over the Committee meetings and, where he/she is unable to perform duties, he/she shall appoint another Member to act for him/her; if the chairman neither performs duties nor appoints another member to act for him/her, any Member may report to the Board of Directors for the appointment of another Member to perform the duties of the chairman of the Audit Committee.
- Article 9 The term of office of a Member shall be the same as that of Directors and is renewable upon re-election. Prior to the expiry of his term, he/she shall not be dismissed without any reason unless under the circumstances stipulated by the Company Law, the Articles of Association and these Terms of Reference and Job Specifications. If a Member no longer assumes the position of Director of the Company during the term of office due to resignation or other reasons, he/she shall automatically cease to be a Member since the date when he/she no longer assumes the position of Director of the Company. The vacancy shall be filled by a new Member appointed by the Board in accordance with the Articles of Association and these Terms of Reference and Job Specification.
- Article 10 When the number of the Members is less than two-thirds of the quorum, the vacancies shall be filled by new Members appointed by the Board in a timely manner. Prior to the reaching of two-thirds of the quorum, the Committee shall suspend the performance of the duties stipulated by these Terms of Reference and Job specifications.

Article 11 The secretary of the Company shall be, or in his absence, his representative shall be, the secretary of the Audit Committee. The Audit Committee may, from time to time, appoint any other person with appropriate qualification and experience as the secretary of the Audit Committee.

Chapter 3 Duties and Authorities

Article 12 The main duties of the Audit Committee are:

Relationship with the Company's auditors

- (1) to be primarily responsible for making recommendations to the Board of Directors 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 its resignation or dismissal;
- (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 Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (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 Audit Committee should report to the Board of Directors, identifying and making recommendations on any matters where action or improvement is needed;
- (4) to act as the key representative body for overseeing the Company's relations with the external auditor;

Review of financial information

- (5) to inspect the Company's financial information and its disclosure;
- (6) to monitor integrity of the Company's financial statements the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board of Directors, 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 GEM Listing Rules and other legal requirements in relation to financial reporting;
- (7) Regarding (6) above:
 - i. the Members should liaise with the Board of Directors and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors;
 - ii. the Audit 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;

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

- (8) to review the Company's financial controls, internal control and risk management systems;
- (9) 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;
- (10) to consider major investigation finding on internal control matters as delegated by the Board of Directors or on its own initiative and management's response to these findings;
- (11) where an internal audit function exists, 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 its effectiveness;
- (12) to review the group's financial and accounting policies and practices;
- (13) 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 control and management's response;
- (14) to ensure that the Board of Directors will provide a timely response to the issues raised in the external auditor's management letter;
- (15) to review the major connected transactions;
- (16) 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 Audit Committee should ensure that proper arrangements are in place for fair and independent investigations of these matters and for appropriate follow-up actions;

(17) 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 Audit Committee about possible improprieties in any matter related to the Company.

(18) to report to the Board on the matters in this provision; and

(19) to consider other topics, as defined by the Board.

At the same time, the Audit Committee is responsible for exercising the Company's duty of corporate governance, including:

(a) to develop and review an Company's policies and practices on corporate governance and make recommendations to the board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the issuer's compliance with the Appendix 15 Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and disclosure in the Corporate Governance Report.

Article 13 The Audit Committee shall be accountable to the Board, and the proposals of the Committee shall be submitted to the Board for consideration and decision-making.

Article 14 The Audit Committee shall coordinate with the Supervisory Committee for the supervision of audit activities.

Chapter 4 Notification and Convention of Meetings

Article 15 The meetings of the Audit Committee shall be classified into regular meetings and extraordinary meetings. In each accounting year, the Committee shall hold at least four regular meetings. An extraordinary meeting shall be convened upon the request of a Member.

Article 16 The regular meetings of the Audit Committee shall be held by way of on-site meetings. The extraordinary meetings may be held by way of on-site meetings or by way of telecommunication. If a meeting is held by way of telecommunication, a Member who signed on the resolutions of the meeting shall be deemed to attend the meeting and assent to the resolutions of the meeting.

Article 17 A notice of meeting shall be given five days prior to the convention of a regular meeting of the Audit Committee (excluding the day of the meeting). A notice of meeting shall be given three days prior to the convention of an extraordinary meeting (excluding the day of the meeting).

Article 18 The notice of a regular meeting of the Audit Committee shall be delivered in written form and that of an extraordinary meeting shall be delivered by way of telephone call, email or other convenient ways. If a notice of meeting is delivered without a written objection within two days since the date of the delivery of such notice, the person notified shall be deemed to have received the notice of the meeting.

Chapter 5 Rules of Procedures

Article 19 The meetings of the Audit Committee shall not be held unless with the presence of two-thirds of the Members. The other directors of the Company may attend the Audit Committee meetings, but a director who is not a member of the Committee shall have no voting rights.

Article 20 A member of the Audit Committee may attend a meeting in person or appoint another Member to attend the meeting and exercise voting right on his behalf. A member of the Committee can only appoint one Member to exercise voting right on his behalf each time. Where he/she appoints two or more than two Members, such appointment shall be invalid.

Article 21 If a Member appoints another Member to attend meeting and exercise voting right, he/she shall submit the power of attorney to the chairman of the meeting. The proxy form shall be submitted to the chairman of the meeting prior to the convention of the meeting.

Article 22 If a Member neither attends a meeting in person nor appoints another member as a proxy, he/she shall be deemed to be absent from the meeting. If a member does not attend meetings for two consecutive times, he/she shall be deemed not to perform the duties appropriately. The Board of Directors may remove him as a Member.

Article 23 The topics of a review meeting of the Audit Committee may be discussed by way of free speaking but the order of the meeting shall be maintained. The chairman of the meeting is entitled to decide the duration of such discussion.

Article 24 The Audit Committee meeting shall adopt the rule of putting together the matters for discussion and consideration and voting on them successively. That is, after all proposals have been considered by all attending Members, the Members shall successively vote on the proposals in accordance with the consideration sequence. The resolutions made by the meeting shall be approved by at least half of all of the Members.

Article 25 The attending Members shall consider the proposals in a serious and accountable manner and fully express their views. The Members shall be accountable for their votes personally. The Audit Committee meeting shall vote by a show of hands or by poll; the extraordinary meeting may vote through telecommunication.

- Article 26 After the prescribed effective number of votes is reached for each proposal, the chairman of the meeting shall announce that this proposal forms a resolution of the Committee. The resolutions of the Audit Committee shall come into force after they are signed by the attending members. No modification or revision shall be made on the resolutions of the Audit Committee that have already come into force unless in accordance with the provisions of laws, regulations, the Articles of Association and these Terms of Reference and Job Specifications.
- Article 27 The minutes of the Audit Committee meetings should be drafted and it should be signed by all attending members and the person who drafts the minutes. The full minutes of the Audit Committee meetings should be kept by the secretary of the meetings duly appointed. The draft and final versions of the minutes of the meetings shall be sent to all Members for their comment and records within a reasonable period of time after the meeting. The minutes of meetings shall be kept by the Company as the Company's archives for no less than 10 years during the existence of the Company.
- Article 28 The resolutions and voting results of a meeting of the Audit Committee shall be submitted to the Board in written form.
- Article 29 The Members shall be obligated to keep the relevant information of the Company confidential before such information is disclosed to the public.
- Article 30 The Audit Committee shall be provided with sufficient resources to perform its duties.
- Article 31 The Audit Committee shall disclose the scope of its duties and interpret its role and powers authorised by the Board on the Growth Enterprise Market website and the Company's website.

Chapter 6 By-laws

- Article 32 Any matters not covered by these Terms of Reference and Job specifications shall be executed in accordance with provisions of relevant laws, administrative regulations, departmental rules and the Articles of Association. If these Terms of Reference and Job specifications need to be amended due to amendments of relevant laws, regulations or the Article of Association or changes of the operation conditions of the Company, recommendations on the amendments shall be made by the Board of Directors and submitted to the Board of Directors for approval.
- Article 33 These Terms of Reference and Job Specifications shall be interpreted by the Board of Directors as authorised by shareholders' general meeting and shall come into force from the date of approval by the Board of Directors.

Board of Directors of
Powerleader Science & Technology Group Limited
March 2012

In case of any discrepancies or inconsistency between the English and Chinese version of these Terms of Reference and Job Specifications, the Chinese version prevails.