

# **中關村科技租賃股份有限公司** **ZHONGGUANCUN SCIENCE-TECH LEASING CO., LTD.**

## **Terms of Reference** **of** **Audit Committee of the Board**

### **Chapter I General**

**Article 1** In order to perfect the decision-making procedures of the board of directors (hereinafter referred to as the “Board”) of Zhongguancun Science-Tech Leasing Co., Ltd. (hereinafter referred to as the “Company”), fully safeguard the legal interests of the Company and its shareholders, and improve the corporate governance structure of the Company, the Board has established an audit committee (hereinafter referred to as the “Audit Committee” or the “Committee”) and promulgated these terms of references in accordance with the Company Law of the People’s Republic of China (中華人民共和國公司法), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “SEHK Listing Rules”) and the articles of association of Zhongguancun Science-Tech Leasing Co., Ltd. (hereinafter referred to as the “Articles of Association”) and other relevant rules.

**Article 2** The Audit Committee is a special working body set up by the Board pursuant to the Articles of Association, whose principal duties are to advise on the engagement and replacement of the external audit firm, supervise the internal audit policies of the Company, communicate, supervise and verify internal and external audit of the Company and review financial information and relevant disclosure; powers and functions of the supervisors and the Board of Supervisors as prescribed by the Company Law of the People’s Republic of China.

### **Chapter II Composition and Organization**

**Article 3** The Audit Committee shall consist of five non-executive directors, the majority of whom shall be independent non-executive directors, and at least one of the independent non-executive directors shall possess professional accounting qualifications or appropriate accounting or related financial management expertise. Members of the Committee shall be determined by the Board upon consideration.

**Article 4** The Audit Committee shall have one chairman, who shall be an independent non-executive director and in charge of the work of the Committee. The chairman shall be nominated by the chairman of the Board and appointed by the Board. The major duties and powers of the chairman are as follows:

- (1) convening and presiding over regular and ad hoc meetings of the Committee;
- (2) determining the proceedings of each Committee meeting;
- (3) signing important documents of the Committee;
- (4) ensuring the Committee draws clear and definite conclusions for each proposal in discussion, including: passing, rejecting or to be reconsidered with supplementary materials; and
- (5) other duties and powers provided under these terms of reference.

**Article 5** All members of the Audit Committee shall possess the expertise and business experience enabling them to fulfil the duties of the Audit Committee. The Company shall arrange members of the Audit Committee to participate in related trainings so that they could timely obtain expertise required for discharging their duties in respect of laws, accounting and supervising standards for of listed companies.

**Article 6** The term of office of the members of the Audit Committee shall be the same with that of the directors. The members may, after the expiry of their terms of office, hold a consecutive term upon re-election.

Any member shall not be dismissed from the Committee before the expiry of his/her terms of office without any reason, unless otherwise specified in laws and regulations, the Articles of Association or these terms of reference.

Any member who ceases to be a director of the Company or otherwise is unable to fulfill his/her duty as a director before the expiry of his/her terms of office, such member shall be automatically disqualified from being a member of the Committee and the Board shall appoint a new member to fill the vacancy according to Article 3 of these terms of reference.

**Article 7** A member of the Audit Committee may concurrently serve in other special committees under the Board on the premise of being capable to fulfill their respective responsibilities.

**Article 8** A former partner of an accounting firm which currently serves as the Company's auditor shall not serve as a member of the Audit Committee within two years since the following dates (whichever is later):

- (1) the date he/she ceases to be a partner of that accounting firm;
- (2) the date he/she ceases to have any financial interest in that accounting firm.

**Article 9** The internal audit department of the Company is the supporting and liaison department of the Audit Committee, which is responsible for such daily work as preparing meeting notice and meeting documents, daily contacts with the chairman of the Audit Committee, preparing and reporting meeting minutes and meeting resolutions. The strategic development team is responsible for the specific work including issuing meeting notice, keeping meeting minutes and meeting resolutions, jointly preparing for and organizing meetings with the supporting and liaison department of the Audit Committee. The secretary of the Board is responsible for coordinating the work among the Audit Committee, the supporting and liaison department of the Audit Committee and the strategic development team, and presenting at the meetings of the Audit Committee.

### **Chapter III Duties and Powers**

**Article 10** The duties and powers of the Audit Committee are as follows:

- (1) advising the Board on the appointment, reappointment, change or dismissal of the external audit firm; approving and reviewing audit fees and appointment terms of the external audit firm; dealing with any resignation or dismissal issues in relation to the external audit firm, taking appropriate measures to supervise the work of the external audit firm and reviewing reports of the external audit firm;

- (2) reviewing and supervising the independence and objectivity of the external audit firm and the effectiveness of the audit procedures in accordance with applicable standards, and discussing in advance on issues related to the nature and scope of the audit and reporting responsibilities with the external audit firm before the auditing work commences;
- (3) formulating and implementing policies of non-audit services provided by the external audit firm. For this purpose, the external audit firm includes any entity that is under the common control, ownership or management with such audit firm or any entity that a reasonably informed third party knowing all relevant information would reasonably conclude to be part of such audit firm's domestic or international business. The Committee shall report to the Board, identifying and making recommendations on any matters it deems necessary;
- (4) serving as the main representative between the Company and the external audit firm to supervise their relations;
- (5) monitoring the integrity of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports reviewing significant financial reporting judgements contained in the financial statements and financial reports and reviewing the financial documents proposed by the Board of Directors to be submitted to the shareholders' general meeting, including financial reports, business reports, and profit distribution plans. If any doubts arise, the Board of Supervisors may, in the name of the Company, engage certified public accountants or practicing auditors to conduct a re-audit. In reviewing such statements and reports before submission to the Board, the Audit Committee shall focus particularly on:
  1. any change in the accounting policies and practices;
  2. major judgmental matters;
  3. significant adjustments resulting from audit;
  4. the going concern assumptions and any qualifications of the opinion;
  5. compliance with the accounting standards; and
  6. compliance with laws and requirements and the SEHK Listing Rules in relation to financial reporting.
- (6) In order to carry out the responsibilities under term (5) of this Article:
  1. members of the Committee shall liaise with the Board, senior management of the Company and the external audit firm engaged by the Company, and the Committee shall meet with the Company's external audit firm at least twice a year; and
  2. the Committee shall consider any significant or unusual items which are, or may need to be, reflected in the financial reports and accounts, and shall give due consideration to any matters that have been raised by the Company's financial personnel, internal auditor, or the supervision personnel, or the external audit firm engaged.

- (7) reviewing the Company's financial control system and supervising the implementation of such system on an on-going basis;
- (8) ensuring smooth work coordination between the internal audit department and the external audit firm, ensuring that the internal audit department is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring the effectiveness of the operation of the internal audit department;
- (9) reviewing the Company's financial and accounting policies and practices;
- (10) reviewing the Explanatory Letter of Reviewing Matter (《審核情況說明函件》) submitted by the external audit firm to the management, any material queries raised by the external audit firm to the management in relation to accounting records, financial accounts or internal control system and the management's response;
- (11) ensuring that the Board will provide a timely response to the issues raised by the external audit firm in the Explanatory Letter of Reviewing Matter;
- (12) ensuring to establish proper channels by the Company for the employees to report or raise concerns on possible improprieties in financial reporting, internal controls or other matters, in a confidential way, and ensuring that proper arrangements are in place for fair and independent investigations on these matters and for appropriate follow-up actions;
- (13) reviewing the criteria or the mechanism determining major decision-makings, major events and important business procedures;
- (14) reporting to the Board on relevant matters within the scope of the Committee's duties; and reporting to the Board on the decisions or recommendations made by the Committee, unless otherwise restricted by laws or regulations;
- (15) formulating and reviewing the corporate governance policies and practices of the Company, and making recommendations to the Board;
- (16) to supervise the conduct of the Company's directors, general manager, and other senior management personnel in performing their duties. If such persons violate laws, administrative regulations, the Articles of Association, or resolutions of the shareholders' general meeting, the Board of Supervisors may propose their removal. If the conduct of the aforementioned persons harms the interests of the Company, the Board of Supervisors shall require them to rectify such conduct; reviewing and monitoring the training and continuous professional development of the directors and the senior management;
- (17) reviewing and monitoring the Company's policies and practices on compliance with laws and regulatory requirements;
- (18) formulating, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the directors (if any);

- (19) reviewing the Company's compliance with the Corporate Governance Code under the SEHK Listing Rules and disclosures in the Corporate Governance Report;
- (20) making resolutions on the appointment or dismissal of the chief financial officer;
- (21) proposing the convening of extraordinary general meetings and extraordinary Board meetings, and to submit proposals to the shareholders' general meeting;
- (22) representing the Company in dealings with directors, and to initiate legal proceedings against directors, the general manager, or other senior management personnel in accordance with the provisions of the Company Law;
- (23) other duties and powers authorized by the Board;
- (24) other relevant requirements for powers and duties of the Committee under the regulatory rules of the place where the shares of the Company are listed, as amended from time to time; and
- (25) reporting to the Board on the matters in the code provision under Appendix 14 to the SEHK Listing Rules.

**Article 11** The Audit Committee shall obtain adequate resources to perform its duties and may require support from the Company's relevant departments or personnel based on needs, and if necessary, it can engage intermediaries to give independent and professional opinions on its decisions, and the reasonable expenses incurred shall be borne by the Company.

**Article 12** The Audit Committee shall review its performances, regulations and terms of reference annually to ensure its operation in the most effective way, and recommend the Board to approve the matters that need to be improved under its consideration.

**Article 13** The Audit Committee shall review and supervise the independence of the external audit firm in accordance with the following procedures:

- (1) considering all relationships between the Company and the audit firm (including non-auditing services);
- (2) obtaining data from the audit firm annually, learning about policies and processes for maintaining its independence and supervising compliance with relevant requirements, including those for rotation of audit partners and staff; and
- (3) meeting with the external audit firm at least once a year, without attendance of the management personnel to discuss matters in relation to audit fees, any issues arising from the audit and other matters the audit firm raises.

**Article 14** The Audit Committee is responsible to the Board. Unless otherwise authorized by the Board, it shall submit the recommendations of the Audit Committee to the Board for consideration.

**Article 15** The Audit Committee shall not be responsible for planning and implementation of audit activities, ensuring the completeness and accuracy of the Company's financial report or the preparation of the financial report in performing the duties stipulated in Article 10 of these terms of reference. The management of the Company shall be responsible for preparation of the financial report, and the accounting firm shall be responsible for auditing of the financial report.

**Article 16** At the invitation of the chairman of the Board, the chairman of the Audit Committee or, if fails, another member or his/her authorized representative shall attend the annual general meeting of the Company and answer questions thereat.

**Article 17** The Audit Committee shall disclose its terms of reference on the websites of the Company and the stock exchange on which the Company's shares are listed and explain its roles and powers delegated by the Board in accordance with relevant regulations under the regulatory rules of the place where the Company's shares are listed.

#### **Chapter IV Rules of Proceedings**

**Article 18** The Audit Committee meeting may be classified into regular meeting and extraordinary meeting. The Audit Committee shall hold one regular meeting at least in each of the first half and second half of the year, respectively.

**Article 19** An extraordinary meeting of the Audit Committee shall be convened at the proposal of the chairman of the Committee, more than two members of the Committee, the Board or the chairman of the Board.

**Article 20** The Audit Committee meeting shall be convened by giving a three days' prior notice to all members of the Committee by the supporting and liaison department. In case of any emergency for which a meeting needs to be convened by the Committee as soon as possible, the notice of the meeting may be given by telephone, fax or email on that day, provided the chairman of the Committee makes an explanatory statement at the meeting.

**Article 21** The Audit Committee meeting shall be presided over by the chairman of the Committee, or, if the chairman fails to attend, a committee member (being an independent non-executive director) may be appointed as a proxy to preside on his/her behalf.

**Article 22** The Audit Committee meeting shall be attended by at least two thirds of the members. Members of the Audit Committee shall attend the meeting in person or by conference call or via similar communications device. Any member who is unable to attend the meeting for any reason may appoint another member to attend on his/her behalf by a form of proxy specifying the scope of authorization.

**Article 23** The Audit Committee may invite relevant personnel of the Company to sit in on the Committee meeting if necessary.

**Article 24** Vote at the Committee meetings shall be made by poll or by show of hands, and each member shall have one vote. Resolutions of the meeting shall only be passed by a majority of the Committee members.

**Article 25** The Audit Committee meeting may be held by way of written means. The written resolutions shall be dispatched to all members by facsimile, courier or by hand, and returned in original copies to the Company for archiving after voting by the members. A proposal signed by such number of members required hereunder shall become an effective resolution of the Committee.

**Article 26** The convening procedures and voting methods of and resolutions passed at the Audit Committee meeting shall comply with the provisions under relevant laws and regulations, the Articles of Association and these terms of reference.

**Article 27** Resolutions passed at the Audit Committee meeting, together with voting results, shall be submitted to the Board in writing.

**Article 28** Persons attending the meeting of the Audit Committee shall be liable to keep matters discussed at the meeting in confidentiality and shall not disclose relevant information without authorization of the chairman of the Board or the Board.

**Article 29** Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external accounting firm, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation as well as the reason(s) why the Board has taken a different view.

**Article 30** The supporting and liaison department of the Audit Committee shall formulate complete meeting minutes which are required to be signed by all attending members. Then the department shall submit the meeting minutes to the strategic development team of the Company for filing in accordance with the Company's file management policy for the inspection of directors at any time.

## **Chapter V Working Procedures**

**Article 31** The supporting and liaison department of the Audit Committee shall be responsible for preparation of the decision-making of the Committee and provide the following written materials of the Company:

- (1) relevant financial reports of the Company;
- (2) working report of the internal audit department;
- (3) contracts with the external audit firm and relevant working reports;
- (4) evaluation reports on major decisions;
- (5) assessment reports on the Company's internal control system and its implementation; and
- (6) other relevant matters.

**Article 32** The Audit Committee shall evaluate the reports provided by the supporting and liaison department, and submit relevant written resolution materials to the Board for discussion.

**Article 33** The internal audit department of the Company shall report to the Audit Committee. All of the audit reports, rectification plans and rectification progress reports for audit issues submitted to the management by the internal audit department shall also be submitted to the Audit Committee.

**Article 34** Where the Company engages or replaces its external accounting firm, the Audit Committee shall form an opinion and make recommendations to the Board, and the Board shall consider the relevant proposal.

## **Chapter VI Supplementary Provisions**

**Article 35** Unless otherwise specified, the meaning of terms used in these terms of reference shall be same as the meaning of those in the Articles of Association.

**Article 36** If any matters not covered by these terms of reference or any terms of reference inconsistent with relevant laws and regulations and SEHK Listing Rules issued or amended from time to time after the entering into force of these terms of reference or the Articles of Association formulated or amended according to legal procedures, provisions under such laws and regulations, SEHK Listing Rules or the Articles of Association shall prevail. These terms of reference shall be amended accordingly and submitted to the Board for approval.

**Article 37** These terms of reference shall be approved by the Board after due consideration, and effective from the date of listing of the overseas-listed foreign shares issued by the Company on The Stock Exchange of Hong Kong Limited.

**Article 38** The right of interpretation of these terms of reference shall be vested to the Board.