

Digital China Holdings Limited  
Terms of Reference for Audit Committee

(As adopted on 22 May 2009)

Constitution

1. The Board of Digital China Holdings Limited (the “Board”) hereby constitutes and establishes an Audit Committee with authority, responsibility and specific duties as described below.

Membership

2. The Audit Committee shall be appointed by the Board and shall consist of a minimum of two Independent Non-Executive Directors (the “Members”). The quorum for decisions of the Audit Committee shall be any two Members.
3. The Chairman of the Audit Committee shall be appointed by the Board.

Attendance at Meetings

4. As necessary of desirable, the Chairman may request that members of management, the head of internal audit and representatives of the external auditors be present at meeting of the Audit Committee. Other Board members shall also have the right of attendance. At least once a year the Audit Committee shall meet with the external auditors.
5. The Company Secretary shall be the secretary of the Audit Committee.

Frequency of Meetings

6. The Audit Committee shall meet at least twice each year. The external auditors may request a Meeting if they consider it necessary.
7. Resolutions of the Audit Committee shall be passed by a majority of votes, and in case of an equality of votes, the Chairman of the Audit Committee shall have a second or casting vote. Resolutions of the Audit Committee shall also be passed by way of unanimous written resolutions.
8. Meetings of Audit Committee may be conducted in persons, by means of telephone conference or by video conference or by similar communication equipment by means of which all persons participating in the Meeting are capable of hearing each other.
9. Meetings and proceedings shall be governed by the relevant provisions contained for regulating the Meetings and proceedings of Directors in the Bye-Laws of the Company.

### Authority

10. The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized 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.
11. The Audit Committee is authorized 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.
12. The Audit Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

### Duties

13. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The duties of the Audit Committee shall be:-
  - (a) to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;
  - (b) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
  - (c) to review the half-year, annual and any periodic financial statements before submission to the Board, focusing particularly on:-
    - (i) any changes in accounting policies and practices;
    - (ii) major judgmental areas;
    - (iii) significant adjustments resulting from the audit;
    - (iv) the going concern assumption;
    - (v) compliance with accounting standards; and
    - (vi) compliance with stock exchange and legal requirements.
  - (d) to discuss problems and reservations arising from the interim, final or any periodic audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
  - (e) to review the external auditor's management letter and management's response;
  - (f) 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 an annual review of the adequacy of resources,

qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget;

- (g) to review the company's statement on internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- (h) to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing with the Company;
- (i) to consider the major findings of internal investigations and management's response;
- (j) to recommend to the Board any appropriate extensions or changes in the duties of the Audit Committee; and
- (k) to consider other topics, as defined by the Board.

#### Reporting procedures

14. The secretary shall circulate the Minutes of the relevant Meeting to the Members with copies to all members of the Board.

#### Amendment

15. Any amendment to these terms of reference shall be authorized by the Board.