

GOLDLION HOLDINGS LIMITED

AUDIT COMMITTEE – TERMS OF REFERENCE

1. Constitution

The Board of Directors (the “Board”) hereby resolves to establish a Committee of the Board to be known as the Audit Committee (the “Committee”).

2. Membership

2.1 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. The majority of the Committee members should be independent non-executive directors of the Company. A quorum shall be two members.

2.2 The Chairman of the Committee shall be appointed by the Board and should be an independent non-executive Director.

2.3 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years 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.

3. Attendance at meetings

3.1 The Chief Financial Officer, the Head of Internal Audit, and a representative of the external auditors shall normally attend meetings. Other Board members shall have the right of attendance. However, at least once a year the Committee shall meet with external auditors without executive Board members present.

3.2 The company secretary shall be the secretary of the Committee.

4. Frequency of meetings

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

5. Authority

5.1 The 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 Committee.

5.2 The 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.

5.3 The Committee shall be provided with sufficient resources to perform its duties.

6. Duties

The duties of the Committee shall be:

Relationship with the auditors

- (a) to be 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 any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) 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 Committee should report to the Board, identifying and make recommendations on any matters where action or improvement is needed;

Review of financial information

- (d) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
- (i) any changes in accounting policies and practices;
 - (ii) major judgemental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with Listing Rules and legal requirements in relation to financial reporting;
- (e) in regard to 6(d) above:
- (i) members of the Committee should 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 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 financial reporting system, risk management and internal control systems

- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;

- (g) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. 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;
- (h) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) 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;
- (j) to review the Group's financial and accounting policies and practices;
- (k) 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;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters in the Code Provision of the Listing Rules;
- (n) 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 Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (o) to consider other topics, as defined by the Board.

7. Reporting procedures

The Committee should regularly report to the Board about its activities and any matters that may significantly impact on the financial condition or affairs of the business and make appropriate recommendations.

Full minutes of the Committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records within a reasonable time after the meeting.