

COL CAPITAL LIMITED

(the “Company”)

TERMS OF REFERENCE

OF

AUDIT COMMITTEE

Membership

1. The Audit Committee should comprise all independent non-executive directors. At least one member of the Audit Committee shall be a ‘financial expert’.
2. The chairman of the Audit Committee should be an independent non-executive director appointed by the board of Directors (the “Board”)
3. The company secretary of the Company should be the secretary of the Audit Committee.

Frequency and Proceedings of Meetings of the Audit Committee

4. Meetings should be held not less than twice a year and may include other executive and non-executive directors such as the Company’s finance directors and representatives of external auditors so as to respond to particular points or concerns. The external auditors may request a meeting if they consider that one is necessary.
5. The quorum for all Audit Committee meetings shall be two members.
6. Minutes of each meeting will be taken and an agenda will be circulated with necessary papers for review at least 2 days prior to the date of the meeting.
7. Private meeting may be held by the Audit Committee each year with the external auditors without any executive directors being present. A private meeting with the executive directors in the absence of the external auditors may be held if necessary.

8. A resolution in writing signed by all members of the Audit Committee shall be as valid and effective as if it has been passed at a meeting of the Audit Committee duly called and constituted.
9. Proceedings of meetings of the Audit Committee shall be governed by the provisions of clause 126 of Bye-Laws of the Company.

Authority of the Audit Committee

10. The Audit Committee should be authorized by the Board to investigate any activity within its terms of reference. It should be 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.
11. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Audit Committee will arrange for the Corporate Governance Report in the Annual Report to include an explanation of the Audit Committee's view and the reasons why the board has taken a different view.
12. The Audit Committee is to be provided with sufficient resources to discharge its duties and should be authorised 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.

Responsibility of the Audit Committee

13. The principal responsibility of the Audit Committee is to assist the Board to establish formal and transparent arrangements to consider how it will apply financial reporting, internal control principles and oversee the audit process and maintaining an appropriate relationship with the Company's external auditors.
14. The Audit Committee should satisfy itself that all key areas of risk to the business are properly addressed by external auditors. This may involve reviewing the current year's audit plan and discussing it with the external auditors, together with following up on the resolution of prior year issues.
15. The Audit Committee should also monitor the quality of the service provided by the external auditors and the reasonableness of their fees.

Duties, powers and functions of the Audit Committee

16. The duties of the Audit Committee shall be :-

- (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;
- (c) to discuss with the external auditors the nature and scope of audit, reporting obligations and ensure co-ordination where more than one audit firm is involved, (if necessary) before audit commences;
- (d) 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, identifying and making recommendations on any matters where action or improvement is needed.
- (e) 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 Audit 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 the Listing Rules and legal requirements in relation to financial reporting.

- (f) Regarding to (e) above
- (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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;
- (g) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (h) to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (i) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (j) to review the Company's financial controls, internal control and risk management;
- (k) to discuss with the management the system of internal control and ensure that management has performed its duty to have an effective internal control system. It is envisaged that the Audit Committee's internal control considerations will cover the following aspects:-
- * effectiveness and efficiency of operations;
 - * the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
 - * reliability of internal and external reporting; and
 - * compliance with applicable laws and regulations and internal policies

- (l) to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (m) 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;
- (n) to review the Group's financial and accounting policies and practices;
- (o) to review the Company's compliance with applicable laws, regulations and internal policies;
- (p) to report to the Board on the matters set out in the code provisions as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
- (q) to consider other topics, as defined by the Board;
- (r) to review arrangements employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action; and
- (s) to act as the key representative body for overseeing the Company's relations with the external auditor.

Reporting Procedure

17. Full minutes of Audit Committee meetings should be kept by the secretary of the Audit Committee. 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.

The Audit Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the chairman of the Audit Committee shall report to the Board on the findings and recommendations of the Audit Committee.

Note:

If there is any inconsistency between the English and Chinese versions of this Term of Reference, the English version shall prevail.

Revised on 27 February 2012