



XIDELANG HOLDINGS LTD
Bermuda Company No. 43136
Malaysian Foreign Company Registration No. 995210-W

AUDIT COMMITTEE TERMS OF REFERENCE

Approved and Adopted by the Audit Committee
Date: 16 April 2013

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1. Purpose

The primary purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of XiDeLang Holdings Ltd ("XDL" or "the Company") is to assist the Board in fulfilling its oversight responsibilities with respect to:-

- (a) The integrity of the Company's financial statements and financial reporting process.
- (b) The adequacy of the Company's systems of internal accounting and financial controls.
- (c) The performance of the Company's disclosure controls and procedures, internal audit function and independent auditor.
- (d) The Company's compliance with ethics policies and legal and regulatory requirements.
- (e) The evaluation of management's process to assess and manage the Company's enterprise risk.
- (f) The appointment and evaluation of the qualifications and independence of the Company's independent auditors.
- (g) The fulfillment of the other responsibilities set out herein.

The Committee shall also prepare the report of the Committee required to be included in the Company's annual report.

2. Composition

The Committee shall comprise not fewer than three directors, each of whom must be Non-executive directors and are financially literate with a majority of whom shall be independent. At least one (1) member of the Committee:-

- (a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
- (b) if he is not a member of the MIA, he must have at least three (3) years' working experience; and :-
 - (i) he/she must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (ii) he/she must be a member of one of the associations of accountant specified in Part II of the 1st Schedule of the Accountants Act 1967.
- (c) fulfill such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities") or approved by the Securities Commission.

No alternate director shall be appointed as a member of the Committee.

The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.

When the number of member falls below three for whatever reason, the Board shall, within 3 months of that event, appoint new members as may be required to make up the minimum of 3 members. The Board shall review the terms of office of the Committee at least once every three years.

3. Role of the Audit Committee Chairman

The Committee Chairman should assume, amongst others, the following responsibilities:-

- (a) Responsible for the planning and conducting of the meeting, i.e. determines the frequency of committee meetings, in consultation with the Committee Secretary.
- (b) Accountable for the agenda and should not delegate it to management.
- (c) Responsible to oversee reporting to the Board.
- (d) Encouraging open discussion during meetings.
- (e) Developing and maintaining a continuous dialogue with senior management such as the Chairman, the Managing Director/Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

4. Secretary

The Company Secretary shall be the Secretary of the Committee.

5. Meetings

The Committee shall meet at least four (4) times a year. However, the additional meetings may be called at any time, at the discretion of the Chairman of the Committee.

The internal auditors and/or the external auditors have the right to appear and be heard at any meeting of the Committee and are recommended to attend each Committee meeting.

The Committee must be able to convene meetings with external auditors without the presence of the executive board members and management at least twice (2) a year and whenever deemed necessary.

The attendance of any particular Committee meeting by other directors (e.g. Managing Director), other appropriate officer and employees of the Company shall be at the Committee's invitation and discretion and must be specific to the relevant meeting.

The Secretary of the Audit Committee shall provide the necessary administrative and secretarial services for the effective functioning of the Committee. The minutes of meetings are circulated to the Committee and to all other members of the Board.

Minutes of each meeting shall be kept as part of the statutory records of the Company and a copy shall be distributed to each member of the Committee.

The Committee shall be provided with the meeting agenda and relevant papers at least a week in advance of each meeting.

6. Quorum

Two (2) members of the Committee shall constitute a quorum at any meeting and majority of members present must be Independent Directors to form a quorum.

7. Responsibilities and Duties

The Committee, as required by applicable law, rules or regulations and otherwise to the extent it deems necessary or appropriate, shall:-

- (a) Recommend to the Board on the appointment and re-appointment of the external auditors and their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of the audit.
- (b) Discuss with the external auditors before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved.
- (c) Review the following and report the same to the Board of the Company:-
 - (i) With the external auditors, the audit plan.
 - (ii) With the external auditors, their audit report.
 - (iii) The assistance given by the employees of the Company to the external auditors and the internal auditors.
 - (iv) External auditor's management letter and management's response thereto.
 - (v) Any significant audit findings, reservations, difficulties encountered or material weaknesses reported by external auditor.
 - (vi) Any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions and management integrity.
 - (vii) Any letter of resignation from the external auditors and questions of resignation or dismissal.
 - (viii) Whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment.
- (d) Review the quarterly and year-end financial statements of the Company, prior to the approval of the Board of Directors, focusing on:-

- (i) Any changes in accounting policies and practices.
 - (ii) Significant adjustments arising from the audit.
 - (iii) Any other significant and unusual events.
 - (iv) The going concern assumption.
 - (v) Compliance with accounting standards and other legal requirement.
- (e) To discuss problems and reservations arising from interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary).
- (f) To propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines.
- (g) Oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance.
- (h) Assist the Board in identifying the principal risks in the achievement of the Company's objectives and ensuring the implementation of appropriate systems to manage these risks.
- (i) With respect to the internal audit functions:-
- (i) Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work.
 - (ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function.
 - (iii) Review any appraisal or assessment of the performance of members of internal audit function.
 - (iv) Approve any appointment or termination of members of internal audit function.
 - (v) Take cognisance of resignations of members of internal audit function and provide an opportunity for members to submit reasons for resigning.
 - (vi) Consider the major findings of internal investigations and management's responses.
- (j) The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
- (k) To consider and examine any other matters as defined by the Board.

8. Authority

The Committee is authorised by the Board to:-

- (a) Investigate any matter within the scope of the Committee's duties.
- (b) Have the resources which are required to perform its duties.
- (c) Have full and unrestricted access to any information in the Company.
- (d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function/activity.
- (e) Reserve to rights to obtain independent professional advice or other advice, and to invite outsiders with relevant experience and expertise to attend the Committee meeting (if required) and to brief the Committee.
- (f) Convene meeting with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Company, whenever deemed necessary and such meetings with the external auditors shall be held at least twice (2) a year.
- (g) If necessary, engage the senior management on a continuous basis, such as the Chairman, the Managing Director/Chief Executive Officer, the head of internal and external auditors in order to keep informed of matters affecting the Company.

9. Communication to the Board

- (a) The Committee shall prepare a report each year to be tabled to the Board and for inclusion in Annual Report of the Company. The Committee report should include the following:-
 - (i) Composition of the Committee, including the names and designations of the Chairman and members, indicating whether the directors are independent or otherwise.
 - (ii) The terms of reference of the Committee.
 - (iii) Number of Committee meetings held during the financial year and the details of attendance of each committee member.
 - (iv) A summary of activities of the Committee.
 - (v) A summary of activities of the internal audit function or activities.
- (b) The minutes of each Committee meeting shall be tabled to the Board for notation.
- (c) The Committee may from time to time submit to the Board its recommendation on matters within its purview, for the Board's decision.
- (d) Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the applicable Listing Requirements, the Committee must promptly report such matters to the Securities Commission and Bursa Securities.

10. Education

The Company is responsible for providing new members with appropriate orientation briefings and educational opportunities, and the full Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Company, and other matters as may be requested by the Committee.

11. Performance Evaluation

The Board must review the term of office and performance of the Committee and each of its members at least once every three (3) years to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.