

Sinomedia Holdings Limited
(“Company”)

Terms of reference of the Audit Committee (“Committee”)
of the Board of Directors (“Board”) of the Company

1. Constitution

1.1 The Committee is established pursuant to a resolution passed by the Board at its meeting held on 27 May 2009.

2. Membership

2.1 Members of 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, a majority of whom shall be independent non-executive directors (including one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise). The initial members of the Committee shall be Mr. Qi Daqing, Mr. Ding Junjie and Mr. Huang Jingsheng.

2.2 The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director Mr. Qi Daqing shall be the first Chairman.

2.3 The appointment of the members of the Committee may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee.

3. Proceedings of the Committee

3.1 Notice of Meeting:

- (a) Unless otherwise agreed by all the Committee members, a meeting shall be convened by at least seven days’ notice.
- (b) A Committee member may at any time summon a Committee meeting.
- (c) Notice shall be given to each Committee member in person orally or in writing or by telephone or by facsimile transmission or email at numbers or addresses from time to time notified to the secretary of the Company by such Committee member or in such other manner as the Committee members may from time to time determine.
- (d) Any notice given orally shall be followed by confirmation in writing before the meeting.
- (e) Notice of meeting shall state the time and place of the meeting and shall be accompanied by

an agenda together with other documents which may be required to be considered by the members of the Committee for the purposes of the meeting.

3.2 Quorum: The quorum of the Committee meeting shall be two members of the Committee.

3.3 The representative from the management responsible for the accounting and financial reporting function, the Head of Internal Audit (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, the Committee shall meet with the external auditors at least once a year without executive Board members present.

3.4 Meetings shall be held not less than twice a year to consider the budget, revised budget and interim or annual report prepared by the Board. The external auditors may request the Chairman of the Committee to convene a meeting, if they consider that one is necessary.

4. Written resolutions

4.1 Written resolutions may be passed by all Committee members in writing.

5. Alternate Committee members

5.1 A Committee member may not appoint any alternate.

6. Authority of the Committee

6.1 The Committee may exercise the following powers:

- (a) to seek any information it requires from any employee of the Company and its subsidiaries (together, the “Group”) and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- (b) to monitor whether the Group’s management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code (including The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Listing Agreement (if any) and other rules and regulations from time to time determined by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and request the management to make investigation and submit reports;
- (d) to review the Group’s internal control procedures and system;
- (e) to review the performance of the Group’s employees in the accounting and internal audit department;

- (f) to make recommendations to the Board for the improvement of the Group's internal control procedures and system;
- (g) to request the Board to convene a Board meeting (or a shareholders' meeting , if necessary) for purposes of dismissing any employee(s) if there is evidence showing that the relevant employee(s) has (have) failed to discharge his duties properly;
- (h) to request the Board to take all necessary actions, including convening a special general meeting, to replace and dismiss the auditors of the Group; and
- (i) 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.

7. Duties

7.1 The duties of the Committee shall be:

Relationship with the Company's auditors

- (a) to be primarily responsible for making recommendation 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 resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations and ensure coordination where more than one audit firm is engaged before the audit commences;
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, external auditor shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally, and to report to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them, and to review the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports 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 assumptions and any qualifications;
- (v) compliance with accounting standards;
- (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (vii) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;
- (viii) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions; and
- (ix) the cashflow position of the Group;

and to provide advice and comments thereon to the Board;

(e) In regard to (d) above:

- (i) members of the Committee must liaise with the Board and senior management and the Committee must meet, at least once 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 such reports and accounts and must 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;
- (f) to discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

Oversight of the Company's financial reporting system and internal control procedures

- (g) to review the Company's financial controls, internal control and risk management systems;
- (h) 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 the adequacy of resources, qualifications and experience of staff of the

Company's accounting and financial reporting function, and their training programmes and budget;

- (i) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- (j) 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 the effectiveness of the internal audit function;
- (l) to review the Group's financial and accounting policies and practices;
- (l) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response; and to act as the key representative body for overseeing the Company's relation with the external auditor;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to conduct exit interviews with any director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;
- (o) to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;
- (p) to report to the Board on the matters set out in the code provisions contained in the Code on Corporate Governance Practices set out in (and as amended from time to time) Appendix 14 to the Listing Rules;
- (q) to consider the appointment of any person to be a Committee member and auditors either to fill a casual vacancy or as an additional Committee member and auditors or dismissal of any of them; and
- (r) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action; and
- (s) to consider other matters, as defined or assigned by the Board from time to time.

The Committee should be provided with sufficient resources to discharge all of its duties.

8. Reporting procedures

8.1 Full minutes of Committee meeting shall be kept by the secretary of the Company. The secretary of the Company shall circulate the draft and final version of minutes of meetings for their comments and records respectively and all written resolutions of the Committee to all members of the Board

within a reasonable time.

9. Continuing application of the articles of association of the Company

9.1 The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the meetings and proceedings of the Committee.

10. Powers of the Board

10.1 The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Code on Corporate Governance Practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

16 September 2009

(Revised version was approved, confirmed and ratified by the Board at the Board Meeting on 16 September 2009.)