

HONG KONG INTERNET REGISTRATION CORPORATION LTD (the "Company")

TERMS OF REFERENCE AND MODUS OPERANDI

OF

AUDIT COMMITTEE (the "Committee")

Membership

1. The Committee shall consist of not less than three (3) members appointed by the board of directors of the Company (the "Board"), all of whom shall be non-executive directors.
2. The Chairman of the Committee (the "Convener") shall be appointed by the Board.

Frequency and proceedings of meetings

3. The Committee should meet at least two times per year. Additional meetings should be held as the work of the Committee demands.
4. In addition, the Convener may convene additional meetings at his discretion.
5. The quorum of a meeting shall not be less than half of the Committee members for the time being.
6. Proceedings of meetings of the Committee shall be governed by the provisions of Article 52 to 62 of the Articles of Association of the Company.

Authority

7. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate as requested by members of the Committee. The Committee is authorized by the Board to obtain outside legal or other independent professional advice (subject to Board approval if a fee over \$70,000 is involved or the total spending per year exceeds \$150,000) and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

8. The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control for finance and accounting, systems and operational processes, or suspected infringements of laws, rules and regulations which come to its attention.

Responsibility

9. The Committee is to serve as a focal point for communication between other directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, internal controls, external and internal audits for systems and operational processes and such other financial and accounting, systems and operational matters as the Board determines from time to time.
10. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, systems and operational processes by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries.

Duties, powers and functions

11. The Committee is to:
 - (a) consider the appointment of the external auditors, the performance of the external auditors, the audit fee, the annual financial audits, systems audits and audits on operational processes and any questions of resignation or dismissal of the auditor;
 - (b) review with the group's management, external auditors and internal auditors, the adequacy of the group's policies and procedures regarding internal controls (including financial, systems, operational and compliance controls) and any statement by the directors on such system to be included in the annual accounts prior to endorsement by the Board;
 - (c) have familiarity, through the individual efforts of its members, with the financial reporting principles and practices applied by the group in preparing its financial statements;
 - (d) prior to its commencement, review the scope of the external audit, including the engagement letter. The Committee's review should include an understanding from the external auditors of the factors considered by them in determining their audit scope. The external auditors' fees is to be negotiated with management, and presented to the Committee's review annually;
 - (e) review the extent of non-audit services provided by the external auditors in relation to their independence;
 - (f) review the interim report and annual report prior to approval by the Board, with particular focus on:

- (i) any changes in relevant policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) compliance with relevant standards; and
- (g) review the draft representation letter prior to approval by the Board;
- (h) evaluate the cooperation received by the external auditors, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditors to the group's needs; inquire of the external auditors as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the group's financial statements;
- (i) discuss with the external auditors any relevant recommendations arising from the audit; and review the draft management letter including management's response to the points raised;
- (j) review the scope and results of internal audit procedures for finance and accounting, systems and operational processes, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the group;
- (k) when the auditors supply a substantial volume of non-audit services to the group, to keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (l) discuss with management the scope and quality of systems of internal control;
- (m) apprise the Board of significant developments in the course of performing the above duties;
- (n) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (o) review the findings of internal investigations into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations; and
- (p) to consider other topics, as defined by the Board.

Reporting Procedures

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

13. At least annually and preferably aligned with the annual election, the Committee should present a written report to the Board which addresses the work and findings of the Committee during the year. The Committee and the Board should agree in advance the format and content of the annual report.
14. Minutes and reports of the Committee shall be made available to all Directors at the discretion of the Committee.

Risk

15. Review the effectiveness of systems for the risk assessment and management of material areas of risk within the Company and monitor their maintenance and development.
16. The Convener shall report to the Board as appropriate on the areas covered by the above terms of reference.

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