

## **CHARTER OF THE AUDIT COMMITTEE OF CHINA GRENTech CORPORATION LIMITED**

### **Purpose**

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of China GrenTech Corporation Limited (the “Company”) is to assist the Board in overseeing the Company’s accounting and financial reporting processes, system of internal controls, accounting practices and the audits of the financial statements of the Company.

The Board recognizes that while the Committee has been given certain duties and responsibilities pursuant to this Charter, the Committee is not responsible for guaranteeing the accuracy of the Company’s financial statements or the quality of the Company’s accounting practices. The fundamental responsibility for the Company’s financial statements and disclosures rests with management and the Company’s external auditor (the “Independent Auditor”). To the extent that procedures included in this Charter go beyond what is required of an Audit Committee by existing law and regulation, such procedures are meant to serve as guidelines rather than inflexible rules and the Audit Committee may adopt such different or additional procedures as it deems necessary from time to time.

### **Composition of the Committee**

The Committee shall be comprised of three or more directors each of whom meets the independence and other requirements of The Nasdaq Stock Market, Inc. (“Nasdaq”) and the Securities and Exchange Commission (the “SEC”), provided that the Board may elect to take advantage of any exemption from such requirements provided in the SEC or Nasdaq rules. Determinations as to whether a particular director satisfies the requirements for membership of the Committee shall be made by the Board. Each Committee member must be able to read and understand fundamental financial statements. At least one member of the Committee shall be an “audit committee financial expert” meeting the requirements of the Securities and Exchange Commission and the Nasdaq Listing Standards. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the Board.

The members of the Committee shall be appointed annually by the Board on the recommendation of the Corporate Governance and Nominating Committee and shall serve a one-year term or until their earlier resignation, death or removal by the Board before the end of their term, and shall be eligible for re-election by the Board annually.

### **Meetings**

The Committee shall meet with such frequency and at such intervals as it shall determine necessary to carry out its duties and responsibilities, but in any case, not less than four times a year or more frequently as necessary or appropriate. The Board shall designate one member of the Committee to serve as its chairperson. The Committee will

meet at such times as determined by its chairperson or as requested by any two of its members. Notice of all meetings shall be given, and waiver thereof determined, pursuant to the provisions contained in the Company's Articles of Association. The chairperson will preside, when present, at all meetings of the Committee. The Committee may meet by telephone or video conference and may take action by written consent.

Each member of the Committee shall have one vote. One-third of the members, but not less than two, shall constitute a quorum. The Committee shall be authorized to take any permitted action only by the affirmative vote of a majority of the Committee members present at any meeting at which a quorum is present, or by the unanimous written consent of all of the Committee members.

The Committee shall maintain copies of minutes of each meeting of the Committee, and each written consent to action taken without a meeting, reflecting the actions so authorized or taken by the Committee. A copy of the minutes of each meeting and all consents shall be placed in the Company's minute book.

### **External Advisors**

The Committee shall have sole authority to obtain, at the Company's expense, but at funding levels determined by the Committee, advice and assistance from independent counsel and other advisors, as it deems necessary to carry out its duties. The Committee shall also have authority to obtain advice and assistance from any officer or employee of the Company.

### **Duties and Responsibilities**

The Committee shall:

1. Review and reassess the adequacy of this Charter at least annually.
2. Review and discuss the annual audited financial statements and interim financial statements with management and the Independent Auditor. The Committee shall make a recommendation to the Board as to whether the annual audited financial statements should be included in the Company's Annual Report on Form 20-F.
3. Review reports to management prepared by the Independent Auditor and any responses to the same by management.
4. Be responsible for the appointment, retention, termination, compensation and oversight of the Independent Auditor and the pre-approval of all auditing and non-auditing services permitted to be performed by the Independent Auditor. The Committee shall also be responsible for the resolution of disagreements between management and the Independent Auditor regarding financial reporting. The Independent Auditor shall report directly to the Committee. The Committee shall be responsible for monitoring the independence of the Independent Auditor.
5. Be responsible for the pre-approval of all audit services and permissible non-audit services to be provided to the Company by the Independent Auditor, subject to any exceptions provided in the Act. The Committee may delegate to one or more of its members the authority to grant such pre-approvals, provided that any such

decision of such member or members must be presented to the full Committee at its next scheduled meeting.

6. Obtain and review annually, prior to the completion of the Independent Auditor's annual audit of the Company's year-end financial statements (the "Annual Audit"), a report from the Independent Auditor, describing (a) all critical accounting policies and practices to be used in the Annual Audit; (b) all alternative treatments of financial information within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditor; and (c) other material written communications between the Independent Auditor and management, such as any management letter or schedule of unadjusted differences. Discuss with the Independent Auditor any material issues raised in such report.
7. Review and discuss with the Independent Auditor all significant relationships that the auditor and its affiliates have with the Company and its affiliates in order to determine the Independent Auditor's independence. The Committee shall: (a) request, receive and review, on a periodic basis, a formal written statement from the Independent Auditor delineating all relationships between the Company and the Independent Auditor that may reasonably be thought to bear on the independence of the Independent Auditor with respect to the Company, including the matters set forth in Independence Standards Board Standard No. 1; (b) discuss with the Independent Auditor any disclosed relationships or services that may impact the objectivity and independence of the Independent Auditor; and (c) take appropriate action to oversee the independence of the Independent Auditor.
8. Review and evaluate the lead audit partner of the Independent Auditor and assure the regular rotation of the lead audit partner, the concurring partner and other audit partners engaged in the Annual Audit, to the extent required by law.
9. Obtain assurance from the Independent Auditor that the audit was conducted in a manner consistent with Section 10A of the Act.
10. Review the Company's financial reporting processes and internal controls, based on consultation with the Independent Auditor and the Company's internal accounting department.
11. Discuss with the Independent Auditor the Independent Auditor's judgment about the quality, not just the acceptability, of the accounting principles applied in the Company's financial reporting.
12. Discuss with the Independent Auditor the Independent Auditor's judgment about the competence, performance and cooperation of the Company's internal accounting department and management.
13. Discuss with the Chief Financial Officer, the Company's internal accounting department and management their views as to the competence, performance and independence of the Independent Auditor.

14. Review with the Independent Auditor any audit problems or difficulties and management's response.
15. Review with the Independent Auditor, the Company's internal accounting department and management the extent to which any previously approved changes or improvements in financial or accounting practices and internal controls have been implemented.
16. Be responsible for the review of all related-party transactions, as such term is defined by the rules of the Nasdaq and the Securities and Exchange Commission. No related-party transaction may be entered into unless and until it has been approved by the Committee.
17. Prepare the report of the Committee for the Board.
18. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Review periodically with management and the Company's internal accounting department these procedures and any significant complaints received.
19. Report regularly to the Board, both with respect to the activities of the Committee generally and with respect to any issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Independent Auditor or the performance of the Company's internal accounting department.
20. Obtain reports from management and review with the Company's legal officer or counsel the Company's compliance with legal and regulatory requirements.
21. Conduct an annual performance evaluation of the Committee.
22. Meet separately and periodically with management and the Independent Auditor.
23. Receive, review and confer with the Corporate Governance and Nominating Committee any concerns raised by any parties directly or indirectly to the Committee and take action in response to such concerns as may be deemed appropriate by the Committee.
24. Perform such other duties and responsibilities, consistent with this Charter, delegated to the Committee by the Board from time to time.