LEMO SERVICES CO., LTD
TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Chapter I General Provisions

Article 1 In order to strengthen the decision-making functions of the board of directors (the "Board") of Lemo Services Co., Ltd (the "Company"), constantly improve the internal control systems of the Company, ensure the effective supervision on the management by the Board and continuously enhance the corporate governance structure of the Company, the Company has established an audit committee (the "Audit Committee") of the Board and formulated the Terms of Reference of the Audit Committee of the Board of Directors of Lemo Services Co., Ltd (the "Terms of Reference") in accordance with the Company Law of the People's Republic of China (中華人民共和國公司法) (the "Company Law"), the Securities Law of the People's Republic of China (中華人民共和國證券法), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Appendix C1 to the Listing Rules (the "Corporate Governance Code"), the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed and other relevant laws and regulations, as well as the Articles of Association of Lemo Services Co., Ltd (the "Articles of Association").

Article 2 As a working body under the Board, the Audit Committee is accountable to and reports its work to the Board. It is responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal control.

Article 3 The directors mentioned in the Terms of Reference refer to all directors (including independent non-executive directors) elected by the shareholders' meeting; while the senior management refers to the general manager, deputy general managers, Board secretary, chief financial officer appointed by the Board, as well as other senior management as stipulated in the laws and regulations, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, as well as the Articles of Association.

Chapter II Composition

Article 4 The Audit Committee shall consist of three directors. All members shall be non-executive directors, and the majority of the members shall be independent non-executive directors. The chairman of the Audit Committee shall be an independent non-executive director.

Members of the Audit Committee shall have certain work experience in the financial, accounting, auditing and legal industry, and be equipped with relevant professional knowledge or work experience. At least one member shall be an independent non-executive director with appropriate professional qualifications or with appropriate accounting or related financial management expertise as stipulated by Rule 3.10(2) of the Listing Rules.

A partner of the current external audit firm engaged by the Company shall be prohibited from serving as a member of the Audit Committee within two years from the date of such person ceasing to be a partner of the audit firm or to have any financial interest in the current external audit firm, whichever is later.

Article 5 The members of the Audit Committee shall be nominated by the chairman of the Board, more than half of the independent non-executive directors or one-third of all directors, and shall be elected by more than half of all directors of the Board. Upon approval of the proposal for the election of members, the new appointed members shall take office immediately after the conclusion of the meeting of the Board.

Article 6 The Audit Committee shall have a convener/chairman of the committee, who shall be an independent non-executive director of an accounting professional. The chairman of the committee shall be appointed by the Board and take charge of the work of the committee. Where the chairman of the committee is unable or fails to fulfill his/her duty, an independent non-executive director shall be elected by at least half of the members of the committee to act in his/her stead.

Article 7 The term of office of the members of the Audit Committee shall be consistent with that of the members of the Board. Each member shall be eligible for re-election upon the expiry of his/her term of office. During his/her term of office, if any member ceases to be a director of the Company, or any member with the capacity of an independent non-executive director ceases to have the independence as stated in the Company Law, the Articles of Association and the Listing Rules, his/her membership in the Audit Committee shall lapse automatically. A member of the Audit Committee may submit his/her resignation report in writing to the Board prior to the expiry of his/her term of office to resign from his/her position in the Audit Committee. The resignation report shall contain such reasons for resignation and matters which require the attention of the Board of the Company as necessary. Upon the loss of qualification or permission to resign, the position(s) vacated by such member(s) shall be filled by the Board according to applicable laws, regulations, and normative documents. The term of office for the member filling the vacancy shall expire upon the expiration of his/her term of office as a director or an independent non-executive director. A member of the Audit Committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without causes except for the situations that prevent such member from holding office as specified in the Company Law, the Articles of Association or the Listing Rules.

Article 8 Apart from directors' remuneration and disbursement, the members of the Audit Committee shall not directly or indirectly charge the Company in terms of consulting fee, advisory fee or other kinds of rewards for such membership.

Chapter III Duties and Authorities

Article 9 The Audit Committee under the Board of the Company shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating the internal and external audit work and internal control. The following matters shall be submitted to the Board for consideration after being approved by more than half of all members of the Audit Committee:

(I) to review and express opinions on financial information in financial and accounting reports and periodic reports, as well as internal control evaluation reports;

(II) to appoint or dismiss external audit firm engaged to conduct the Company's audit, and supervise and assess the work of the external audit firm;

(III) to provide guidance on the internal audit work, and supervise the Company's internal audit system and its implementation;

(IV) to facilitate communications between the management, the internal audit department and related departments and external auditors;

(V) to review the Company's internal control system and assess the effectiveness of internal control;

(VI) to appoint or dismiss the chief financial officer of the Company;

(VII) to change accounting policies or accounting estimates, or amend significant accounting errors for reasons other than changes in accounting standards;

(VIII) other matters as prescribed by laws, administrative regulations, the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, and the Articles of Association.

The Audit Committee of the Company shall perform the duties as below:

(I) to review annually the performance of the external audit firm, submit a summary of the audit work conducted by the external audit firm during the year to the Board, and make recommendation to the Board in respect of the appointment, re-appointment and dismissal of the external audit firm next year, as well as the remuneration for auditing service, terms of engagement etc., and deal with any matters related to the resignation or dismissal of the external audit firm. Where the Board of the Company disagrees with the opinion of the Audit Committee on the selection, appointment, resignation or dismissal of the external audit firm, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and the reasons why the Board of the Company holds different opinions;

(II) to act as the Company's representative in liaising with the external audit firm, communicate between the Company's internal risk control department and external audit firm, including review and examination of the independence and objectivity of the external audit firm and the effectiveness of the auditing procedures in accordance with applicable standards; and, prior to the commencement of any auditing procedures, discuss with the external audit firm about the nature, scope and method of audit and the reporting obligations during the year, and negotiate with the external audit firm to determine the schedule of auditing the financial report of the year, as well as procure the submission of the audit reports by the external audit firm within the predetermined time limit and so forth. If more than one external audit firm is involved in the audit, the committee shall make sure they coordinate with each other;

(III) to formulate and implement, based on the work demand, policies on the provision of non-audit services by the external audit firm (including its affiliates). The Audit Committee shall report and make recommendations to the Board if any action or improvement it deems necessary;

For this purpose, the affiliates of the external audit firm shall include any entity that is under common control, management or ownership with the external audit firm engaged by the Company or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the external audit firm engaged by the Company nationally or internationally. The Audit Committee shall ensure that the provision of non-audit services by the external audit firm will not compromise its independence or objectivity. In terms of non-audit services, the Audit Committee shall take into account the following matters:

1. whether the skills and experience of the external audit firm make it a suitable supplier of the non-audit services;

2. whether pre-cautions are taken to ensure that the external audit firm's objectivity and independence in auditing shall not be influenced by providing such services;

3. the nature and relevant fee level of the non-audit services, as well as separate and lump sum fee of the services provided by such external audit firm; and

4. the standard for determining auditors' remuneration.

The Audit Committee shall, as it thinks fit, report to the Board, identifying any matters where action or improvement is needed and making recommendations as to the steps to be taken;

(IV) to review the Company's accounting policies, financial condition, financial reporting procedures and financial control; to review the completeness, accuracy and fairness of the financial statements, the quarterly (if any), interim and annual reports and the accounts of the Company and review significant financial reporting opinions contained therein, as well as the disclosure of the Company's financial information. Prior to submitting the relevant statements and reports to the Board, the review shall focus particularly on the following matters: any changes in accounting policies, practices and estimates of the Company during the reporting period; any issues involving significant judgment; such significant adjustments to be made as shall be requested by the external audit firm upon its completion of auditing the accounts; the going concern assumptions of the Company and any qualified opinions; any matters resulting in non-standard unqualified audit reports; whether the accounting is in compliance with accounting standards and provisions relating to financial reporting under the Company Law, the Listing Rules and other applicable laws, regulations;

Regarding the above items which require particular focus in the review process, members of the Audit Committee shall communicate with the Board, senior management and internal and external auditors in a timely manner. Members of the Audit Committee shall meet, at least twice a year, with the external audit firm without the attendance of any executive directors (except for the one invited by the Audit Committee). Members of the Audit Committee shall consider any material or unusual matters reflected or required to be reflected in the Company's reports and accounts, and give due consideration to matters raised by the accounting and financial department, regulatory department or auditors of the Company;

(V) to discuss questions and doubts raised by the external audit firm upon its completion of reviewing the interim accounts and auditing the annual accounts of the Company and any other matters that the external audit firm may wish to discuss (in the absence of management, if necessary);

(VI) to examine the financial control, financial policies, internal audit systems, internal control systems and risk management systems of the Company and provide opinions and recommendations for improvements, and also:

1. to examine the Company's financial and accounting policies and practices and any changes thereof;

2. to monitor the preparation process of the periodic financial reports, including quarterly reports (if any), interim financial reports and annual financial reports, review and monitor the integrity of the periodic financial reports, financial results announcements and other relevant information, and review significant financial reporting opinions contained in such statements and reports. Prior to submitting the relevant statements and reports to the Board, the review shall focus particularly on the following matters: (i) any changes in accounting policies and practices; (ii) any issues involving significant judgment; (iii) significant adjustments resulting from audit; (iv) the going concern assumptions of the Company and any qualified opinions; (v) compliance with accounting standards; and (vi) compliance with the provisions relating to financial reporting under the Listing Rules and laws;

3. to discuss and assess the effectiveness of the financial control, internal control and risk management systems with the management, so as to ensure that the management has performed its duties in establishing an effective financial control, internal control and risk management systems; such discussions shall cover the adequacy of resources, employees' qualifications and experience in relation to the Company's accounting and financial reporting function, as well as the training program received by the aforementioned employees and the sufficiency of such budget. If the annual report contains any statement about the internal control systems of the Company, the Audit Committee shall review the statement before submitting to the Board for approval;

4. to study the important findings of the investigation regarding risk management and internal control matters on its own initiative or as instructed by the Board and the measures adopted by the management in response to these findings;

5. to ensure coordination between the risk control department of the Company and the external audit firm; and to ensure that the risk control department of the Company is adequately resourced and has appropriate authorities and standing within the Company, and to review and monitor its effectiveness;

6. to review the operation, financial and accounting policies and practices of the Company and its subsidiaries;

7. to review the external audit firm's letter of examination or management proposals, material queries raised by the external audit firm on accounting records, financial accounts or control systems, and the management's responses to such queries;

8. to set up, jointly with the Board, the Company's policies relating to the engagement of employees and former employees of the external audit firm and monitor the implementation of such policies. The Audit Committee shall consider whether the relevant circumstances would impair or seem to impair the external audit firm's judgment or independence regarding the audit;

9. to act as the key representative between the Company and the external audit firm and oversee their relationship;

10. to ensure the Board's timely response to the letter of audit or management proposals issued by the external audit firm to the management;

11. to develop and review the policies and practices on corporate governance of the Company and make recommendations to the Board;

12. to review and monitor the training and continuous professional development of the directors and senior management;

13. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

14. to supervise the work of the internal risk control department of the Company and provide opinions and recommendations on the appraisal and change of persons in charge of the internal risk control department of the Company;

15. to supervise the staff of the Company as to potential or possible improprieties in financial reporting, internal control or other matters;

16. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;

17. to report matters related to the above to the Board and to study other matters as arranged by the Board; and

18. to report to the Board on the matters specified in Code Provision D3.3 of the Corporate Governance Code.

(VII) the Audit Committee shall establish relevant procedures to ensure fair and independent investigation and resolution of the following matters:

1. to receive and deal with known complaints on accounting, internal control or audit of the Company, and guarantee confidentiality of such complaints;

2. to receive and handle the complaints or anonymous whistle-blowing by employees and those who deal with the Company or its subsidiaries (e.g. customers and suppliers) concerning the irregularities in the accounting, auditing, internal control or any possible improprieties in other aspects, and ensure its confidentiality. To review the procedures that the Company's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action by the Company;

(VIII) to advise and ensure that the Board takes effective remedial measures for the Company's failure to comply with the requirements of the Listing Rules regarding the establishment of an Audit Committee.

(IX) to formulate, review, approve and update, as appropriate, the policies and systems that promote and support anti-corruption laws and regulations;

(X) to review the continuous connected transactions of the Company and ensure the compliance with the terms approved by the shareholders of the Company;

(XI) to complete other tasks assigned by the Board and those as required by relevant laws and regulations and the Listing Rules.

The senior management and relevant departments of the Company shall be cooperative and supportive to the Audit Committee and shall take the initiative in providing relevant information. The finance department shall regularly and faithfully provide financial and accounting information including financial reports and capital operation reports to the Audit Committee, report significant business operating activities in a timely manner, actively cooperate with the Audit Committee in its work, and listen carefully to the recommendations provided, and requests made, by the Audit Committee.

Article 10 The Audit Committee shall be accountable to the Board and proposals of the Audit Committee shall be submitted to the Board for its consideration and decision. The Audit Committee shall cooperate with the supervisory committee in supervising audit activities.

Article 11 The Audit Committee should make available its Terms of Reference explaining its role and the authority delegated to it by the Board on the websites of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Company.

Article 12 The primary duties of the convener/chairman of the committee are:

(I) to convene and preside over meetings of the committee;

(II) to supervise and inspect the work of the committee;

(III) to sign relevant documents of the committee;

(IV) to report to the Board on the work of the committee;

(V) to perform other duties and responsibilities as required or conferred by the laws, administrative regulations, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, the rules of procedures and the Board.

Article 13 The primary duties of the committee members are:

(I) to attend meetings of the committee as scheduled, express opinions on matters for discussion at the meetings, and exercise voting rights;

(II) to suggest topics for discussion at the meetings of the committee;

(III) to attend or sit-in the relevant meetings of the Company as audience and conduct investigative studies and obtain the required relevant information, such as reports, documents and information, for the purpose of performing duties;

(IV) to fully understand the duties and responsibilities of the committee and his/her own duties as a member of the committee, familiarize with the operation and management conditions, business activities and development status of the Company relating to his/her duties, ensure his/her capabilities in performing his/her duties;

(V) to provide full assurance for the working time and efforts required to perform his/her duties;

(VI) to perform other duties and responsibilities as required or conferred by laws, administrative regulations, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, the rules of procedures and the Board.

Article 14 The audit department of the Company is the daily working body of the Audit Committee. The audit department is responsible for the daily communication, the preliminary preparation for the decision-making of the Audit Committee and the collection and provision of the information about the Company, which includes:

(I) relevant financial reports of the Company;

(II) the work reports of internal and external audit firms;

(III) external audit contracts and relevant work reports;

(IV) internal control evaluation reports;

(V) disclosure of information to the public by the Company;

(VI) the Company's related (connected) transactions agreements, audit reports on major related (connected) transactions and feedback on the investigation of related (connected) persons;

(VII) financial and legal information about major investment projects;

(VIII) other relevant information.

Article 15 The working manner of the Audit Committee:

(I) During the meetings of the Audit Committee, the Audit Committee discusses the work plans for proceeding with internal audit, listens to the work reports made by the Company's finance department, comments on the reports provided by the audit department, and reviews the quarterly (if any), interim and annual financial reports of the Company, etc. The Audit Committee may make decisions based on the opinions of experts from the professional institutions and submit the matters that require to be decided by the Board to the Board for discussion, which mainly include:

1. evaluation of the work conducted by the external audit firm, the appointment and removal of the external audit firm, approval of the remuneration and appointment terms applicable to the external audit firm;

2. whether the Company's internal control systems and internal audit systems have been effectively implemented, and whether its financial reports are complete and true;

3. whether the information disclosed to the public by the Company (including the financial reports) is objective and true, and whether the major related (connected) transactions of the Company are in compliance with the relevant laws and rules;

4. evaluation of the work of the Company's financial department, the audit department and the respective persons in charge;

5. other relevant matters;

(II) In the preparation and the disclosure of the Company's annual financial report, the Audit Committee shall comply with the following working rules and procedures:

1. to negotiate and determine the schedule of the audit work of the financial year with the external audit firm which is responsible for the audit of the Company's financial report of that year (the "Annual Audit CPA") in a timely manner after the end of the financial year;

2. to procure the submission of the audit reports by the Annual Audit CPA within the predetermined time limit;

3. to review the financial and accounting statements prepared by the Company before the Annual Audit CPA commences its work;

4. to review the financial and accounting statements of the Company after the Annual Audit CPA has issued its preliminary audit opinion;

5. to convene meetings of the Audit Committee to review the financial reports, make recommendations for the re-appointment or replacement of the Annual Audit CPA for the following year, and compile a report summarizing the audit work engaged by the Annual Audit CPA for the current year.

The chairman of the Audit Committee or (if absent) another member of the Audit Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company and respond to the shareholders' enquiry on the activities and responsibilities related to the Audit Committee.

Article 16 The internal audit department shall convene a meeting with the Audit Committee in each quarter to report on the work of internal audit and problems discovered, and shall submit a work report on internal audit annually and an internal control evaluation report at least once a year to the Audit Committee. The Audit Committee shall issue the self-evaluation report of annual internal control on the establishment and implementation of the internal control systems in connection with financial reporting and information disclosure based on the reports and relevant information submitted by the internal audit department.

Chapter IV Rules of Procedure

Article 17 Meetings of the Audit Committee shall include regular meetings and extraordinary meetings. Meetings shall be convened and chaired by the convenor/chairman of the Audit Committee. When the convenor/chairman of the Audit Committee fails or refuses to perform the duties, a committee member concurrently an independent non-executive director shall be designated to perform the duties instead.

Article 18 Regular meetings of the Audit Committee shall be held at least once quarterly. The interim and annual financial statements of the Company shall be reviewed and discussed at the meetings of the Audit Committee. The chairman of the Audit Committee may convene the extraordinary meetings at his/her own discretion or at the request of the independent accountant or internal auditor. An extraordinary meeting may also be convened upon the proposal submitted by two or more members, where the convener deems necessary or according to the recommendation made by the chairman of the Board.

Article 19 Notices of meetings and materials for meetings shall be delivered to all members of the committee three days prior to the meetings. Upon unanimous consent of all members of the committee, the requirement on such prior notice period may be exempted. Meetings shall be presided over by the convener. The convener may, when unable to attend the meeting, authorize another committee member who is an independent non-executive director to preside over the meeting in his/her stead.

Article 20 Meetings of the Audit Committee shall be held only when attended by more than two-thirds of its members, one of whom shall be an independent non-executive director. Members who cannot attend a meeting may authorize, in writing, other members to attend and vote on their behalf. The power of attorney, containing the name of the proxy, the matters delegated, the scope of authorization and the validity period of such authorization, shall be signed or stamped by the appointer and submitted to the presider of the meeting no later than the time when voting takes place. A member who fails to attend a meeting of the Audit Committee in person or by appointing the proxy shall be deemed to have waived the voting rights at the meeting. Should a member fail to attend the meetings of the Audit Committee twice in a row, he/she shall be deemed to be unable to properly carry out his/her duties and the Board of the Company may remove him/her from his/her position as a member upon approval by the shareholders' meeting.

The resolutions made at the meetings shall be approved by more than half of all members. The voting at the meetings of the Audit Committee shall be by a show of hands or by poll and may be conducted through telecommunication when necessary. Each member shall have one vote.

Article 21 Meetings of the Audit Committee may be held by on-site meetings, teleconferences, video conferences, circulation of documents, facsimile, email or other appropriate means.

Article 22 After the presider of the meeting of the Audit Committee announces the commencement of a meeting, the corresponding content of the motions under each agenda will be discussed in proper order.

The members of the Audit Committee would be free to discuss the subject matters considered at the meeting, but order shall be maintained at the meeting. No speaker shall use any offensive or other insulting or threatening language.

The presider of the meeting shall have the right to decide the time for discussion.

Matters proposed at the Audit Committee meeting are subject to collective consideration and voting on a case-by-case basis, i.e. all the proposals are considered by all members present and then are put to vote one by one according to the order of consideration.

Article 23 The Audit Committee may, if considered necessary, invite other persons in connection with the proposals to attend the meeting to provide detailed information or express their opinions. Those who are not members of the Audit Committee, however, do not have voting rights on the proposals.

Members present at the meeting shall consider the proposals and give full expression of their personal opinions with a conscientious and responsible attitude; members shall be responsible for their own votes.

Article 24 The person-in-charge of the internal audit department may attend the meetings of the Audit Committee, and where necessary, directors, supervisors and senior management of the Company may be invited to attend such meetings. Those who are not members of the Audit Committee, however, do not have voting rights on the proposals.

Article 25 The Audit Committee may, where necessary, engage intermediaries to provide professional opinions on its decision-making, and the reasonable expenses incurred shall be borne by the Company.

Article 26 The convening procedures, voting method and resolutions passed at the meetings of the Audit Committee shall comply with the provisions of relevant laws and regulations, the Listing Rules, the Articles of Association and the Terms of Reference.

Article 27 The Audit Committee shall keep minutes for its meetings. Draft and final versions of minutes of the meetings shall be sent to all members of the committee for their comment and records, respectively within a reasonable time after the meeting. The members of the committee who attended the meetings shall sign on the minutes. The minutes of the meetings shall be kept by the secretary to the Board of the Company for no less than ten years.

Article 28 The minutes of the Audit Committee meetings shall at least include the followings: the date, venue and name of convener of the meeting; the names of the attendees with specific notes on whether a proxy is appointed for the meeting; the meeting agenda; the key points of the members' speeches; the voting method and poll results of each resolution or proposal; other matters that need to be indicated and recorded in the meeting minutes.

Article 29 The convener of the Audit Committee or another member designated by the convener shall follow and monitor the implementation of the resolutions of the Audit Committee and may request and supervise persons concerned to remedy the violations of the resolutions found. Should the persons concerned fail to follow such instructions, the convener of the Audit Committee or his/her designated member shall report the situation to the Board of the Company which will be responsible to manage the case.

Article 30 Members who participate in the voting on a resolution of the Audit Committee shall bear joint liability for compensation to the Company should such resolution be in violation of laws, regulations or the Articles of Association and cause the Company to suffer material damages. However, if a member is proven to have cast his/her votes against such resolution and it was so recorded in the meeting minutes, he/she may be exempt from the liabilities.

Article 31 Members present at the meetings and persons attending such meetings shall perform a duty of confidentiality regarding matters discussed at such meetings. No unauthorized disclosure of such information shall be allowed, unless otherwise stipulated under relevant laws, regulations and/or rules of regulatory bodies.

Chapter V Avoidance System

Article 32 When a member of the Audit Committee or his/her immediate family members, or any company controlled by a member of the Audit Committee or his/her immediate family members has direct or indirect interests in the matters to be discussed at meetings of the Audit Committee, such member shall disclose the nature and extent of such interests to the Audit Committee as soon as possible.

Article 33 Upon occurrence of the situation mentioned in the preceding paragraph, the interested member shall provide detailed explanation of the relevant situation at meetings of the Audit Committee and explicitly state his/her self-recusal from voting. However, if other members of the Audit Committee unanimously conclude after discussion that such interests will have no material impact on matters to be voted on, the interested member may participate in voting.

Where the Board of the Company considers it is improper for the interested member in the preceding article to vote, it may revoke the voting results of the relevant resolution and request a re-vote on the relevant resolution by non-interested members.

Article 34 A meeting of the Audit Committee shall consider and resolve on resolutions without counting the interested members toward the quorum. If the minimum quorum of the meeting of the Audit Committee is not present after the recusal of interested members, all members (including the interested members) shall resolve upon the procedural matters regarding submission of the resolution to the Board of the Company for approval, and the Board of the Company shall consider such resolution accordingly.

Article 35 Minutes of meetings of the Audit Committee and resolutions passed at the meetings shall clearly state that the interested members are not counted toward the quorum and have not voted on such resolutions.

Chapter VI Internal Audit

Article 36 Members of the Audit Committee shall have the right to conduct internal audits of the Company's financial activities and income and expenditure status for the preceding fiscal year and the first half of the current fiscal year. All relevant departments of the Company (including but not limited to the finance department and the Board) shall actively cooperate and promptly provide the necessary information to the members.

Article 37 Members of the Audit Committee have the right to access the following:

(1) periodic reports of the Company;

(2) financial statements and audit reports of the Company;

(3) announcement documents of the Company;

(4) resolutions and minutes of meetings of the shareholders' meetings, the Board, supervisory committee and general manager's office of the Company;

(5) major contracts signed by the Company;

(6) other relevant information deemed necessary by the members of the Audit Committee.

Article 38 The secretary of the Board shall coordinate with the internal audit department and other relevant departments to provide the following written materials to the Audit Committee for its decision-making:

(1) relevant financial reports of the Company;

(2) work reports of the internal and external audit firms;

(3) external auditing contracts and relevant work reports;

(4) information disclosed to the public by the Company;

(5) audit results on the major related transactions of the Company;

(6) other documents relating to the discharge of duties by the Audit Committee.

Article 39 The Audit Committee shall comment on the reports and materials provided by the internal audit department and other relevant departments, and shall submit relevant written resolutions to the Board for discussion:

(1) work appraisal on the external audit firm, and the engagement and change of the external audit firm;

(2) whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are complete and accurate;

(3) whether the information such as financial reports disclosed to the public by the Company is objective and accurate, and whether the major related (connected) transactions, use of funds raised, major investments and external guarantees of the Company are in compliance with the relevant laws and regulations;

(4) work appraisal of the internal financial department and audit department of the Company, including the persons-in-charge;

(5) other relevant matters.

Article 40 Members of the Audit Committee may inquire of the senior management of the Company about any matter, and senior management of the Company shall respond.

Article 41 Members of the Audit Committee shall issue internal audit opinions on the Company's financial activities and income and expenditure status for the preceding fiscal year and the first half of the current fiscal year, based on the information they have learned and obtained.

Chapter VII Supplementary Provisions

Article 42 The Board shall be responsible for the interpretation of the Terms of Reference.

Article 43 The Terms of Reference shall be deliberated and approved by the Board, and shall come into force and be implemented from the day on which H Shares of the Company in the public offering are listed and traded on the main board of Hong Kong Stock Exchange.

Article 44 For any matters not covered by the Terms of Reference or in any event that the Terms of Reference contravene relevant laws, regulations, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, as well as the Articles of Association, the latter shall prevail. In case of any inconsistency between the Terms of Reference and any future laws, regulations, the Listing Rules, the relevant regulatory rules of the securities regulatory authorities and stock exchanges in the places where the Company's shares are listed, as well as the Articles of Association, the latter shall prevail.