Zhongmiao Holdings (Qingdao) Co., Ltd.
眾淼控股(青島)股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1471)

Terms of Reference of the Audit Committee of the Board

CHAPTER 1 GENERAL PROVISIONS

Article 1 Pursuant to the Company Law of the PRC (the "**Company Law**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules, A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants and other applicable laws, administrative regulations, departmental rules, normative documents as well as the currently effective Articles of Association of Zhongmiao Holdings (Qingdao) Co., Ltd. (the "**Articles of Association**"), and according to the resolution of the Board, Zhongmiao Holdings (Qingdao) Co., Ltd. (the "**Company**") hereby establishes the Audit Committee of the Board of Directors and formulates the Terms of Reference of the Audit Committee of the Board of Zhongmiao Holdings (Qingdao) Co., Ltd. (the "**Terms of Reference**") based on the actual conditions of the Company, in order to reinforce the decision-making function of the Board of the Company, continuously improve the construction of its internal control systems, ensure the effective supervision and management of the Board, and constantly enhance its corporate governance structure.

Article 2 The Audit Committee of our Board is a specialised working body under the Board of the Company, which is principally responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating the internal and external audit work and internal controls, and exercising the relevant powers of the supervisory committee as stipulated in the Company Law. The Audit Committee of the Board shall report to the Board on its work.

CHAPTER 2 COMPOSITION

Article 3 The Audit Committee shall consist of at least three directors. All members shall be non-executive directors and the majority (at least half) of the members shall be independent non-executive directors. The chairman of the Audit Committee must be an independent non-executive director.

Members of the Audit Committee shall have certain working experience in the financial, accounting, auditing and legal industry, and be equipped with relevant professional expertise or working 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 Hong Kong 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 4 Members of the Audit Committee shall be nominated by the chairman of the Board or the Nomination Committee of the Board, and shall be elected by more than half of all directors of the Board. After the proposal of electing members of the Committee has been approved, the new members of the Committee shall take office immediately after the conclusion of the meeting of the Board.

Article 5 The Audit Committee shall have one convener being the chairman of the Audit Committee, who shall be an independent non-executive director of an accounting professional. The chairman of the Audit Committee shall be appointed by the Board and shall be responsible for presiding over the works of the Audit Committee. When the chairman of the Audit Committee is unable to or fails to perform his/her duties, an independent non-executive director shall be elected by more than one-half of the members to perform the chairman's duties.

Article 6 The term of office of the Audit Committee shall be the same as that of directors of the Board. A member may serve consecutive terms if re-elected upon 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 Articles of Association and the Hong Kong 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, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and provisions of Articles 3 to 5 above. 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 Hong Kong Listing Rules.

Article 7 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 3 DUTIES AND AUTHORITIES

Article 8 The Audit Committee shall make available its Terms of Reference explaining its role and the authority delegated to it by the Board on The Stock Exchange of Hong Kong Limited's website and the Company's website. The specific duties of the Audit Committee include:

(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 for the following fiscal year, as well as to approve 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 audit department (internal control and audit department) and external audit firm, including review and examination of the independence and objectivity of the external audit firm and the effectiveness of the audit process 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 for the year, and negotiate with the external audit firm to determine the schedule of auditing the financial report of the year, as well as oversee the external audit firm to submit audit reports within the predetermined timelines 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 develop and implement, based on work requirements, policies regarding the provision of non-audit services by the external audit firm (including its related entities). If the Audit Committee identifies any matters requiring action or improvement, it shall report to the Board and make recommendations;

For this purpose, related entities 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 criteria 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 and estimates of the Company during the reporting period; matters involving significant judgments; significant adjustments required by the external audit firm after auditing; the going concern assumptions of the Company and any qualifications; whether the accounting is in compliance with accounting standards and provisions relating to financial reporting under the Company Law, the Hong Kong Listing Rules and other applicable laws, administrative regulations, departmental rules and normative documents in relation to financial reporting;

Regarding the above items which require particular focus in the review process, members of the Audit Committee shall liaise 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 significant 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 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, and review the periodic financial reports, financial results announcements and other relevant information;

3. to discuss and assess the effectiveness of the financial control, internal control and risk management systems with 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 budget in relation to the Company's accounting and financial reporting function. 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 consider (on its own initiative or as delegated by the Board) the major findings of investigations regarding internal control matters and the relevant measures taken by the management;

5. to ensure co-ordination between the internal control and audit department of the Company and the external audit firm; and to ensure that the internal control and audit 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 operating, financial and accounting policies and practices of the Company and its subsidiaries (if applicable in the future);

7. to review the external audit firm's letter of examination or management letters, 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 examination or management letters 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 audit department of the Company and provide opinions and recommendations on the appraisal and change of persons in charge of the internal audit 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 consider other matters assigned by the Board; and

18. to report to the Board on the matters specified in Code Provision C3.3 of the Corporate Governance Code and the Corporate Governance Report under Appendix 14 to the Hong Kong Listing Rules.

(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 concerning the irregularities in the Company's 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 supervise the conduct of directors and senior management in performing their duties, and to make recommendations for the removal of directors or senior management who violate laws, administrative regulations, the Articles of Association or resolutions of general meetings;

(IX) when the conduct of a director or senior management harms the Company's interests, to require such director or senior management to rectify such conduct;

(X) to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform its duty of convening and presiding over the general meeting as stipulated in the Company Law;

(XI) to propose the convening of an extraordinary Board meeting in accordance with the provisions of the Articles of Association;

(XII) to submit proposals to the general meeting;

(XIII) to initiate legal proceedings against directors and senior management in accordance with Article 189 of the Company Law;

(XIV) to complete other tasks assigned by the Board;

(XV) to perform other duties imposed by applicable laws, administrative regulations, departmental rules, normative documents, regulatory bodies including the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong, as well as the Articles of Association and the rules of procedures of the Board.

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 9 The Audit Committee shall be accountable to the Board and proposals of the Audit Committee shall be submitted to the Board regularly for its consideration and decision.

Article 10 The chairman of the Audit Committee is primarily authorized:

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

(II) to preside over the daily operation of the Audit Committee;

(III) to review and sign the reports of the Audit Committee and other important documents;

(IV) to inspect the implementation of the resolutions and recommendations of the Audit Committee;

(V) to report to the Board on behalf of the Audit Committee;

(VI) to perform such other duties as shall be performed by the chairman of the Audit Committee.

CHAPTER 4 WORKING PROCEDURES

Article 11 The internal control and audit department, which is responsible for the Company's internal audit, is under the direct supervision of the Audit Committee, and is the daily working body of the Audit Committee.

Article 12 The internal control and audit department is in charge of the preliminary preparation for the decision-making of the Audit Committee. It provides the following written materials of the Company:

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

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

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

(VII) relevant work reports on the Company's internal control systems and its implementation;

(VIII) other relevant information.

The Audit Committee performs the main duties under Article 8 of the Terms of Reference based on the information provided by the daily working body.

Article 13 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 internal control and 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, which mainly include:

1. the evaluation of 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 substantive 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 (herein after referred to as 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 accounting statements prepared by the Company before the Annual Audit CPA commences its work;

4. to review the financial 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 summarising 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.

CHAPTER 5 RULES OF PROCEDURE

Article 14 Meetings of the Audit Committee are classified as regular meetings and extraordinary meetings.

Regular meetings of the Audit Committee shall be held at least twice annually, and shall be convened before the regular meeting of the Board of the Company, for discussing the opinions and recommendations to be submitted to the Board. The interim and annual financial statements of the Company shall be reviewed and discussed at the two meetings of the Audit Committee held annually.

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 at least half of the members of the Committee or according to the recommendation made by the chairman of the Board.

Article 15 Meetings of the Audit Committee shall be convened by the chairman of the Committee. Notice of meeting, signed by the chairman of the Committee, and materials for meeting shall be delivered to all members of the Committee three days prior to the meeting. Upon unanimous consent of all members of the Committee, the requirement on such prior notice period may be exempted.

Article 16 The Audit Committee meeting shall be convened by at least seven days' notice. The Audit Committee meeting shall be presided over by the chairman of the Committee; the chairman of the Committee 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. Interim meetings shall not be subject to the above notice period.

Article 17 The quorum for meetings of the Audit Committee shall be at least two-thirds of the total members of the Committee, one of whom shall be an independent non-executive director. Members who cannot attend a meeting may authorise, in writing, other members to attend and vote on his/her behalf. The form of proxy, containing the name of the proxy, the matters delegated, the scope of authorisation and the validity period of such authorisation, and signed or stamped by the appointer, shall be submitted to the presider of the meeting no later than the time when voting takes place.

The resolutions made at the meetings shall be approved by a majority of all members, and relevant resolutions or opinions shall be signed by the participating members of the Audit Committee. Each member shall have one vote and may vote "for", "against" or "abstain" from voting on a given matter. Where the respective votes for and against a resolution are equal in number, the chairman of the Audit Committee shall be entitled to have a casting vote.

Article 18 Meetings of the Audit Committee may be held by on-site meetings, tele-conferences, video conferences, circulation of documents, facsimile, email or other appropriate means.

Article 19 The person-in-charge of the internal control and audit department may attend the meetings of the Audit Committee, and where necessary, directors and senior management of the Company may be invited to attend such meetings, but have no right to vote if he/she is not a member of the Committee.

Article 20 The Company should provide the Audit Committee with sufficient resources to perform its duties. The budget of expenses of the Audit Committee is included as part of the budget of the Company. In fulfilling its duties, the Audit Committee has the right to, where necessary, engage professionals including lawyers, certified public accountants, and certified auditors, etc. to provide professional opinions on its decision-making with the reasonable cost borne by the Company.

Article 21 The convening procedures, voting method and resolutions passed on the meetings of the Audit Committee shall comply with the applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules, the Articles of Association and the Terms of Reference.

Article 22 Detailed and complete minutes of meetings of the Audit Committee shall be prepared, on which members present at the meetings shall sign. Minutes of meetings of the Committee shall be properly kept by the secretary to the Board of the Company for at least ten (10) years during the existence of the Company. Draft and final versions of minutes of meetings of the Committee shall be circulated to all members of the Audit Committee for their comment and record purpose respectively, in both cases within a reasonable time after each meeting. Upon signing by members of the Audit Committee who attended the meeting, the minutes shall be submitted to all members of the Board for circulation. Such minutes of meeting shall be opened for inspection at any reasonable time on reasonable notice by any director. Minutes of meetings shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Resolutions of the Audit Committee shall come into force after being signed by the attending members, and no amendment or modification shall be made to any resolutions of the Audit Committee that have come into force unless in accordance with the relevant legal procedures required by applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules, the Articles of Association and the Terms of Reference. Resolutions passed by the meeting of the Audit Committee and the voting results shall be reported in writing to the Board.

Article 23 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 entrusted 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 need to be indicated and recorded in the meeting minutes.

Article 24 Members present at meetings of the Committee and persons attending such meetings shall perform a duty of confidentiality regarding matters discussed at such meetings. No unauthorised disclosure of such information shall be allowed, unless otherwise stipulated in applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and/or rules of regulatory bodies.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 25 "More than" and "within" as referred to in the Terms of Reference shall include the number, and the words "majority" shall not include the number itself.

Article 26 The Terms of Reference shall become effective and be implemented from the date of approval by the Board of Directors, and the original "Terms of Reference of the Audit Committee" shall be repealed simultaneously. The Terms of Reference shall be amended and interpreted by the Board of Directors.

Article 27 Any matters not covered herein shall be implemented in accordance with the provisions of applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed and the Articles of Association. Where the Terms of Reference conflict with any provisions of applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed or the Articles of Association, such applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed and the Articles of Association shall prevail, and the Terms of Reference shall be amended accordingly as soon as practicable and submitted to the Board for consideration and approval.