

# AUNTEA JENNY (SHANGHAI) INDUSTRIAL CO., LTD.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD

### CHAPTER 1 GENERAL PROVISIONS

**Article 1** In order to strengthen the decision-making function of the board of directors, conduct ex ante and professional audit, ensure effective supervision over the senior management by the board of directors, and improve its corporate governance structure, Auntea Jenny (Shanghai) Industrial Co., Ltd. (hereinafter referred to as the “Company”) has formulated these terms of reference pursuant to the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”), the Articles of Association of Auntea Jenny (Shanghai) Industrial Co., Ltd. (hereinafter referred to as the “Articles of Association”) and other relevant regulations.

**Article 2** The audit committee of the board of directors is a specialized working body established by the board of directors and is accountable to the board of directors.

The internal audit department established by the Company shall be accountable and report to the audit committee.

**Article 3** The audit committee shall exercise the duties of the board of supervisors as stipulated in the Company Law, and shall be responsible for reviewing and supervising the procedures for preparing the Company’s financial reports and internal control procedures, reviewing the annual production, operation and financial budget plans and making recommendations to the board of directors, as well as exercising and performing other powers and duties as prescribed in these terms of reference.

**Article 4** The provisions of the Company Law, the Articles of Association and the Hong Kong Listing Rules in relation to the obligations of the directors shall apply to the members of the audit committee.

### CHAPTER 2 COMPOSITION

**Article 5** The audit committee shall consist of at least three non-executive directors and a majority of whom shall be independent non-executive directors. No more than half of the members may hold any positions in the Company other than directorship, nor may they have any relationship with the Company that could prejudice their independent and objective judgment. At least one of them shall be accounting professional and possess appropriate professional qualifications that meet the requirements under the Hong Kong Listing Rules, or appropriate accounting or related financial management expertise.

**Article 6** Members of the audit committee shall be nominated by the chairman of the board of directors, a simple majority of independent non-executive directors or more than one-third of the members of the board of directors, and shall be elected by the board of directors. A former partner of the external audit firm which is currently in charge of auditing the accounts of the Company shall not be a member of the audit committee of the Company within two years from following dates, whichever is the later: (1) the date on which the former partner ceases to be a partner of the external audit firm; or (2) the date on which the former partner ceases to be entitled to any financial interest in the external audit firm.

**Article 7** The audit committee shall have a chairman, who shall serve as the convener and shall be an independent non-executive director and responsible for taking charge of the work of the committee. The election of the chairman shall be approved by the board of directors.

**Article 8** A member of the audit committee shall have a term of office consistent with the term of a director and shall be eligible for re-election on the expiry of his/her term. Where a member ceases to be a director of the Company, he/she will automatically cease to be qualified as a member of the committee, and the casual vacancy shall be filled by the person elected by the board of directors in accordance with Articles 5 to 7 above.

### **CHAPTER 3 DUTIES AND AUTHORITY**

**Article 9** The audit committee is responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal controls. The following matters shall be submitted to the board of directors for consideration after obtaining the approval of a majority of all members of the audit committee:

- (1) disclosure of financial information in financial accounting reports and periodic reports, as well as internal control evaluation reports;
- (2) appointment or dismissal of the accounting firm handling the audit of the listed company;
- (3) appointment or dismissal of the chief financial officer of the listed company;
- (4) changes to accounting policies or estimates, or corrections of material accounting errors, arising from reasons other than changes in accounting standards;
- (5) other matters stipulated by laws, administrative regulations, CSRC, the regulations of the stock exchange where the shares of the Company are listed, and the Articles of Association.

**Article 10** The board of directors shall obtain approval from a majority of all members of the audit committee before resolving on the following matters:

- (1) appointment or dismissal of the accounting firm auditing the Company;
- (2) appointment or dismissal of the chief financial officer;
- (3) disclosure of financial accounting reports;
- (4) other matters stipulated by the securities regulatory authority of the State Council.

**Article 11** After considering the matter(s) as required in articles 9 and 10 of these terms of reference, the audit committee shall form a meeting resolution and submit the same to the board of directors of the Company together with relevant proposal for consideration and approval.

#### **CHAPTER 4 DECISION-MAKING PROCEDURES**

**Article 12** The internal audit department of the Company shall be responsible for preliminary preparations for decision making of the audit committee and providing the following written information of the Company:

- (1) relevant financial reports (including monthly financial position and other internal financial position), financial budget and decision and relevant information of the Company;
- (2) work reports of internal and external auditors;
- (3) external audit contracts and relevant work reports;
- (4) disclosure of information by the Company to external parties;
- (5) audit reports on major related (connected) transactions of the Company;
- (6) other relevant matters.

**Article 13** The audit committee shall convene meetings to consider the reports submitted by the internal audit department of the Company, and submit relevant resolutions in writing to the board of directors for consideration with respect to:

- (1) evaluation on the performance of, and engagement and replacement of, the external auditors;
- (2) the effectiveness of the implementation of the internal audit system of the Company and the completeness and truthfulness of the financial reports of the Company;
- (3) whether the financial reports and other information disclosed by the Company give a true and fair view and whether the Company's significant related (connected) transactions are in compliance with relevant laws and regulations or relevant requirements of the stock exchange where the shares of the Company are listed;

(4) evaluation on the performance of the internal financial department and audit department of the Company, including persons in charge;

(5) any special investigation, litigation, fraud and non-compliance incidents and other events with subject amount accounting for more than 10% of the latest audited net assets of the Company, which shall be reported to the audit committee. The audit committee shall report the same to the board of directors as appropriate;

(6) other relevant matters.

## CHAPTER 5 SYSTEM OF MEETINGS

**Article 14** Meetings of the audit committee shall be classified as regular meetings and extraordinary meetings. The audit committee shall meet at least once per quarter. Extraordinary meetings may be convened upon the proposal of two or more members, or when the convener deems it necessary.

Notice of a regular meeting of the audit committee shall be given to all members five days before the meeting is convened, and notice of an extraordinary meeting shall be given to all members three days before it is convened. Notice of a meeting may be given at any time in case of emergency.

**Article 15** A member of the audit committee may attend the meeting in person or appoint another member in writing to attend to and exercise voting rights at the meeting on his/her behalf.

If a member of the audit committee appoints another member to attend to and exercise voting rights at the meeting on his/her behalf, he/she shall submit a power of attorney to the chairman of the meeting and power of attorney shall specify the scope of the authorization. The power of attorney shall be delivered to the chairman of the meeting no later than a vote is taken at the meeting.

**Article 16** If a member of the audit committee fails to attend the meeting in person or appoint another member to attend the meeting on his/her behalf, he/she shall be deemed as absent from the relevant meeting.

If a member of the audit committee fails to attend meetings for two consecutive times, such member shall be deemed to have failed to perform his/her duties properly, and may be removed from his/her office as member of the committee by the board of directors.

**Article 17** The chairman shall be responsible for convening and presiding over meetings, or where the chairman is unable or fails to perform his/her duties, he/she may appoint another member to perform on his/her behalf. If the chairman fails to perform his/her duties or designate other members to perform on his/her behalf, any of the members may report to the board of directors, and the board of directors shall designate a member to perform the duties of the chairman.

**Article 18** The quorum of a meeting of the audit committee shall be more than two-thirds of the members. Every member shall have one vote. Resolutions made at the meetings shall be passed by a simple majority of the members.

A meeting of the audit committee may be convened by way of a written circular signed by all members. Written proposals may be dispatched by fax, courier or by hand or other methods to all committee members. Committee members shall return the original copies to the Company for filing after casting vote on the proposals. A proposal signed by consenting members satisfying the number of votes required hereunder shall become an effective resolution of the committee.

**Article 19** At the meetings of the audit committee, voting shall be made by a show of hands or by poll; while extraordinary meetings may be convened by means of correspondence voting.

**Article 20** The internal audit department of the Company shall hold a meeting with the audit committee on a quarterly basis to report on the internal audit work and issues found, and shall submit an internal audit report to the audit committee at least once a year. The person-in-charge of the internal audit department of the Company shall attend the meetings of the audit committee. The audit committee may, if necessary, invite other directors, senior management and other relevant personnel of the Company to attend the meetings, lead a briefing or express opinion provided that non-members of the audit committee shall have no right to vote on resolutions.

**Article 21** The audit committee may engage intermediaries to provide professional advice for its decision-making where necessary at the expense of the Company.

**Article 22** Procedures for convening and voting methods of meetings of the audit committee as well as resolutions passed thereat shall be in compliance with requirements of the relevant laws, administrative regulations, departmental rules, regulatory documents, listing rules of the stock exchange where the shares of the Company are listed, the Articles of Association and these terms of reference.

**Article 23** The audit committee shall keep meeting minutes, which shall record the matters considered and resolutions passed at the meetings in detail, including any doubts or objections raised by members, and shall be circulated to every member for review and confirmation. The meeting minutes shall be signed by the members attending the meetings and the minute taker. Committee members attending the meeting shall have the right to request inclusion of explanations in the minutes regarding the views they have expressed at the meeting. If a committee member has any comments or objections regarding the minutes, they may choose not to sign but should submit their written opinions to the secretary of the board of directors within the stipulated timeframe. If the errors or omissions in the records are confirmed to be true, the secretary of the board of directors shall make corrections, and the committee member shall sign the revised minutes.

The minutes of the audit committee are retained as company records by the secretary of the board of directors of the Company. During the term of the Company, the retention period is ten years.

**Article 24** The resolutions passed at the meeting and poll results of the meeting of the audit committee shall be reported to the board of directors in writing.

The audit committee shall, based on the internal audit report and relevant information submitted by the internal audit department, issue a written assessment opinion on the effectiveness of the internal control of the Company and report the same to the board of directors. Where the board of directors disagrees with the opinions of the audit committee on selection, appointment, resignation or dismissal of an external auditor, the Company shall include in the corporate governance report an explanatory statement of the audit committee on its recommendations and the reasons for the disagreement of the board of directors.

**Article 25** Members present and attendees at meetings shall be obliged to keep all matters discussed at the meetings confidential and shall not disclose the relevant information without authorization.

**Article 26** The chairman of the audit committee, or in his absence, another member or his/her authorized representative, shall, if invited by the chairman of the board of directors, attend the annual shareholders' meeting of the Company on behalf of the audit committee and answer questions raised at the meeting.

**Article 27** The audit committee shall publish its terms of reference on the website of The Stock Exchange of Hong Kong Limited and the website of the Company to explain its role and the authority delegated by the board of directors.

**Article 28** The audit committee shall be provided with sufficient resources to perform its duties. The senior management of the Company shall provide support to the work of the audit committee and, the audit committee may engage intermediaries to provide independent professional advice for its decision-making where necessary and reasonable expenses incurred shall be borne by the Company.

## **CHAPTER 6 ABSTENTION FROM VOTING**

**Article 29** When a member of the audit committee has an interest of conflict, directly or indirectly, in respect of any matter discussed at the meeting, such member shall abstain from voting on the relevant proposals.

Where the number of members attending the meeting is less than the quorum specified in these terms of reference after the interested members abstain from voting, all members (including the interested members) shall resolve procedural issues including submitting the proposal to the board of directors for consideration. Such proposal shall be considered by the board of directors.

## CHAPTER 7 SUPPLEMENTARY PROVISIONS

**Article 30** These terms of reference and any amendments hereto have been considered and approved by the board of directors and shall take effect from the date of the initial public offering of H Shares of the Company and its listing on The Stock Exchange of Hong Kong Limited.

**Article 31** For matters not covered by these terms of reference, they shall be executed in accordance with the requirements of relevant laws and regulations of the PRC, the listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association. In case that these terms of reference are in conflict with the laws and regulations promulgated by the PRC from time to time, the listing rules of the stock exchange where the shares of the Company are listed or the Articles of Association amended through lawful procedures, the requirements of relevant laws and regulations of the PRC, the listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association shall prevail, and the terms of reference shall be amended immediately and submitted to the board of directors for consideration and approval.

**Article 32** The rights of interpretation of these terms of reference shall be vested in the board of directors.

Auntea Jenny (Shanghai) Industrial Co., Ltd.