

Auntea Jenny (Shanghai) Industrial Co., Ltd.
滬上阿姨(上海)實業股份有限公司

**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, primarily responsible for the communication with, supervision and verification of the internal and external audits of the Company.

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

Article 3 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 4 The audit committee shall consist of at least three non-executive directors and a majority of whom shall be independent non-executive directors with 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 5 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 6 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 7 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 4 to 6 above.

CHAPTER 3 DUTIES AND AUTHORITY

Article 8 The main duties and authority of the audit committee shall be as follows:

(1) to supervise and assess external audit work, propose the appointment, re-appointment and dismissal or replacement of external auditors, approve the remuneration and terms of engagement of the external auditors, deal with all matters of the resignation or dismissal of the external auditors, and supervise the practice of the external auditors. Where the Company engages, reappoints or replaces its external auditing firm, the audit committee shall form a review opinion and recommend it to the board of directors as a prelude for the latter's consideration and review;

(2) to develop and finalize the policies of the Company on external auditors. The audit committee shall report to the board of directors and make recommendations on any matters requiring follow-up action or improvement;

(3) to supervise and assess internal audit work, supervise the formation of the internal audit system and the accounting policies of the Company and its implementation;

(4) to review and monitor the independence and objectiveness of the external auditors and the effectiveness of its audit procedures in accordance with applicable standards; the audit committee shall discuss with the external auditors the nature, scope, and reporting obligations before the audit commences; in assessing the independence of the external auditors, to consider all relationships (including non-audit services) between the Company and the auditing firm and to obtain from the external auditors its policies and procedures on annual basis for maintaining its independence so as to monitor its compliance (including rotation of audit partners and members) and to communicate with the auditors on their audit fees, issues identified during the audit and other matters they wish to communicate at least once a year in the absence of management;

(5) to develop and implement policy on engaging an external auditor for non-audit services. For this purpose, an “external auditor” includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. When assessing the non-audit services provided by an external auditor, the Company shall consider the appropriateness of the auditor’s qualifications and capabilities, the impact of the services on the independence and objectivity of the auditor, the details and fees of the services and the significance of the services to the auditor, and the remuneration of relevant individuals. The audit committee shall report and make recommendations to the board of directors on actions to be taken or improvements shall be made;

(6) to act as the key representative for communication between the Company and the external auditor and overseeing their relationship to ensure coordination between the internal audit function and the work of the external auditors, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor the effectiveness of the internal audit function;

(7) to review the Company’s financial information and its disclosures, as well as financial and accounting policies and their implementation;

(8) to monitor the integrity of the Company’s financial statements and annual report and accounts, interim report and, if intend to publish, quarterly reports, and to review significant judgements on financial reporting contained therein. Before submitting the relevant statements and reports to the board of directors, the committee shall specifically review the following matters: (1) any changes in accounting policies and practices; (2) significant judgments; (3) significant adjustments resulting from audit; (4) the going concern assumptions and any qualifications; (5) compliance with accounting standards; and (6) compliance with the listing rules of the stock exchange where the shares of the Company are listed and legal provisions in relation to financial reporting;

(9) regarding (7) above: (1) members of the committee shall liaise with the board of directors and senior management. The committee shall hold meeting with auditors of the Company at least twice a year; and (2) the committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall give due consideration to any matters that have been raised by the Company’s staff responsible for the accounting and financial reporting function and compliance officer of the Company or the external auditors;

(10) to review the internal control system of the Company; to review and evaluate the regime of financial controls, risk management and the internal control system of the Company;

(11) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company’s accounting and financial reporting function;

(12) to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the board of directors and the feedback on these findings from the management;

(13) to review the audit explanatory letter issued by the external auditor to management, any material inquiries on accounting records, financial accounts or systems of control raised by the auditor to management as well as the feedback from management;

(14) to review the financial and accounting policies and practices of the Group;

(15) to ensure that the board of directors will provide response to the matters and material inquiries raised in the external auditor's audit explanatory letter to management and feedback from management in a timely manner;

(16) to review and evaluate major related (connected) transactions of the Company; to review the internal system of the Company and organize review on major related (connected) transactions;

(17) to review the following arrangements made by the Company that its employees may use, in confidence, to raise concerns about potential improprieties in financial reporting, internal control or other matters. The audit committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(18) to develop and review the corporate governance policies and practices of the Company and make recommendations to the board of directors;

(19) to review and monitor the training and continuous professional development of directors and senior management;

(20) to review and monitor the policies and practices of the Company on compliance with legal and regulatory requirements;

(21) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

(22) to review the Company's compliance with the Corporate Governance Code set out Appendix C1 in the Hong Kong Listing Rules and disclosure in the corporate governance report set out in the annual reports; to report to the board of directors on matters within the terms of reference of the committee, including decisions or recommendations of the committee; and

(23) to assume other duties as delegated by the board of directors of the Company and as required by the laws, administrative regulations, departmental rules, regulatory documents, listing rules of the stock exchange where the shares of the Company are listed, including the authority and duties as stipulated in the relevant provisions of the Corporate Governance Code as set out Appendix C1 in the Hong Kong Listing Rules and the Articles of Association, and to study other topics defined by the board of directors.

Article 9 The audit committee shall be accountable to the board of directors. After considering the matter(s) as required in the preceding article 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.

Article 10 The audit committee shall cooperate with the members of the supervisory committee on the audit work.

CHAPTER 4 DECISION-MAKING PROCEDURES

Article 11 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 financial information by the Company;
- (5) audit reports on major related (connected) transactions of the Company;
- (6) other relevant matters.

Article 12 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 13 Meetings of the audit committee shall be classified as regular meetings and extraordinary meetings. Regular meetings shall be convened at least twice a year and once every six months. Extraordinary meetings shall be convened when proposed by members of the audit committee or the internal audit department of the Company.

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 14 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 15 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 16 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 17 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 18 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 19 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, supervisors, 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 20 The audit committee may engage intermediaries to provide professional advice for its decision-making where necessary at the expense of the Company.

Article 21 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 22 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 23 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 24 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 25 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 general meeting of the Company on behalf of the audit committee and answer questions raised at the meeting.

Article 26 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 27 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 28 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 29 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 30 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 of the place where the Company's shares 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 of the place where the Company's shares 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 of the place where the Company's shares 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 31 The rights of interpretation of these terms of reference shall be vested in the board of directors.

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