

NINGBO JOYSON ELECTRONIC CORP. TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER I GENERAL PROVISIONS

Article 1 In order to further enhance the governance standards of Ningbo Joyson Electronic Corp. (hereinafter referred to as the “Company”), improve the corporate governance structure and strengthen the standardized operation of the Audit Committee of the board of directors of the Company (hereinafter referred to as the “Audit Committee”), the board of directors of the Company has established the Audit Committee and formulated these terms of reference in compliance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Administrative Measures for Independent Directors of Listed Companies, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Guidelines No. 1 of the Shanghai Stock Exchange for Self-regulation of Listed Companies — Standardized Operation, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Listing Rules”), Appendix C1 to the Hong Kong Listing Rules (hereinafter referred to as the “Corporate Governance Code”), the Articles of Association of Ningbo Joyson Electronic Corp. (hereinafter referred to as the “Articles of Association”) and other relevant provisions.

Article 2 The Audit Committee is a specialized committee established under the board of directors. It is primarily responsible for reviewing the Company’s financial information and its disclosures, overseeing and evaluating both internal and external audit work as well as internal control. The Audit Committee is accountable to and reports to the board of directors.

Article 3 The members of the Audit Committee shall ensure dedication of sufficient time and efforts to performing their work duties, and exercising due diligence. They shall effectively supervise and evaluate the internal and external audit work of the Company, support the establishment of effective internal control and the provision of true, accurate and complete financial reports by the Company.

Article 4 The Company shall provide the necessary working conditions for the Audit Committee and assign specialized personnel or units to undertake the daily routines of the Audit Committee, such as liaison, organization of meetings, preparation of materials and file management. The management and relevant departments of the Company shall cooperate with the Audit Committee for the performance of its duties.

CHAPTER II COMPOSITION OF MEMBERS OF AUDIT COMMITTEE

Article 5 The members of the Audit Committee comprises three non-executive directors who do not serve as senior management of the Company, and two of which shall be independent non-executive directors. At least one independent non-executive director among the committee members shall have appropriate professional qualifications or accounting or related financial management expertise as required by the Hong Kong Listing Rules.

Members of the Audit Committee shall have the professional knowledge and experience capable of performing the duties of the Audit Committee.

Article 6 Members of the Audit Committee shall be nominated by the chairman of the board of directors, by more than half of the independent non-executive directors or by one-third of all the directors, and shall be elected by the board of directors.

Article 7 The Audit Committee shall have one chairperson, who shall be a committee member and an independent non-executive director qualified as an accounting professional. The chairperson shall be responsible for presiding over the work of the Audit Committee, and act as its convenor. The chairperson shall be elected among the members of the Committee and the appointment thereof shall be reported to the board of directors for approval.

Article 8 The term of office of the members of Audit Committee shall be the same as that of the board of directors of the same session. Member of the Audit Committee may be re-elected upon expiry of his/her term of office. If any member resigns or cease to hold office as a director of the Company for any other reason, or becomes no longer suitable for the role of a committee member (such as if any member who shall be an independent non-executive director no longer possesses such independent captaincy as required by the Hong Kong Listing Rules) during his/her term of office, such member shall be disqualified as a member automatically and the board of directors shall appoint a new member to fill the vacancy pursuant to the Articles of Association and these terms of reference. Before the vacancy of the board of directors is filled, the original members shall continue to perform their relevant duties and exercise their relevant powers in accordance with these terms of reference.

Article 9 The Audit Committee shall establish a working group, which shall be headed by the secretary to the board of directors, which shall be specifically responsible for the daily operations, organization of meetings and other related work of the committee. The working group shall cooperate with the relevant departments within the Company to jointly discharge the relevant duties of the committee.

CHAPTER III DUTIES AND AUTHORITY OF THE AUDIT COMMITTEE

Article 10 The Audit Committee shall be responsible for review of the Company's financial information and disclosure thereof, supervision and evaluation of internal and external audit and internal control. The following matters shall, upon obtaining consent of a majority of all the members of the Audit Committee, be submitted to the board of directors for consideration:

- (I) Disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (II) Appointment or dismissal of the accounting firm that undertakes the Company's audit business;
- (III) Appointment or dismissal of the Company's financial officer in-charge;
- (IV) Changes in accounting policies, accounting estimates, or corrections of significant accounting errors due to reasons other than changes in accounting standards;
- (V) Other matters stipulated by laws, administrative regulations, the provisions of the China Securities Regulatory Commission, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

Article 11 The duties and responsibilities of the Audit Committee in overseeing and assessing the external audit work shall include, inter alia, the following:

- (I) to evaluate the independence and objectivity of the external auditors and the effectiveness of the audit procedures in accordance with applicable standards. Prior to the commencement of an audit, the Audit Committee shall discuss with the external auditors the nature and scope of the audit, and relevant reporting responsibilities;
- (II) to formulate and implement policies regarding the engagement of the external auditors to provide non-audit services, and report to the board of directors on any matters requiring action or improvement and make recommendations thereon;
- (III) to make recommendations to the board of directors on the appointment, re-appointment and change of the external auditors, and to address any issues relating to the resignation or removal of the external auditors;
- (IV) to review the audit fees and terms of engagement of the external auditors;
- (V) to discuss and communicate with the external auditors on the scope of the audit, the audit plan, the audit methodology and the significant matters identified during the audit;
- (VI) to supervise and evaluate whether the external auditors have acted with due diligence;
- (VII) to act as the primary representative on behalf of the Company during liaison with the external auditors, and oversee their relationship;

Article 12 The duties and responsibilities of the Audit Committee in overseeing and assessing the internal audit work shall include, inter alia, the following:

- (I) to direct and supervise the establishment and implementation of the internal audit system;
- (II) to review the Company's annual work plan for internal audit;
- (III) to supervise the implementation of internal audit plans of the Company;
- (IV) to direct the effective operation of the internal audit department, evaluate and supervise its effectiveness. The internal audit department of the Company shall report to the Audit Committee, and various audit reports, rectification plans and rectification progress related to the identified audit issues submitted to the management by the internal audit department shall be concurrently forwarded to the Audit Committee;
- (V) to report to the board of directors on the progress and quality of internal audit and major problems identified;

- (VI) to coordinate the relationship between the internal audit department and the external audit units such as accounting firms and national audit institutions;
- (VII) to ensure that the internal audit department is provided with adequate resources for its operation within the Company and has appropriate standing.

The internal audit department of the Company shall be accountable and report to the Audit Committee.

Article 13 The duties and responsibilities of the Audit Committee in reviewing the financial report of the Company and its disclosures shall include, inter alia, the following:

- (I) to review the financial reports and provide opinions on the truthfulness, completeness and accuracy of such reports;
- (II) to focus on and review material accounting and auditing issues involved in the financial reports of the Company, including adjustments to material accounting errors, changes in significant accounting policies and estimates, matters involving major accounting judgments, and matters resulting in non-standard unqualified audit reports;
- (III) to specifically identify the possibility of fraud, corruption and material misstatement in relation to the financial reports;
- (IV) to supervise the rectification of the issues identified in financial reports;
- (V) whether the preparation of and disclosures in the financial reports comply with the requirements of the securities regulatory authorities.

With regard to items above, the members of the Audit Committee shall liaise with the board of directors and senior management. The Audit Committee shall meet with the Company's external auditors at least twice a year; and the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such financial reports and accounts, and it shall give due consideration to any matters that have been raised by the Company's internal auditing, financial, and compliance departments or external auditors.

Article 14 The duties of the Audit Committee to evaluate the effectiveness of internal control shall include, inter alia, the following:

- (I) to evaluate the appropriateness of the design of the Company's internal control system;
- (II) to review the self-evaluation reports on internal control;
- (III) to review the internal control audit reports issued by the external auditors, as well as communicate with the external auditors on the issues identified and improvement measures;
- (IV) to evaluate the results of internal control evaluations and audits and supervise the rectification of internal control deficiencies;

- (V) to evaluate the financial control of the Company and the risk management systems of the Company;
- (VI) to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to establish effective systems;
- (VII) to consider major investigation findings on risk management and internal control matters and management's response to these investigation findings on its own initiative or as delegated by the board of directors;
- (VIII) to review the external auditor's audit statement issued to the management, any material queries raised by the external auditor to the management about accounting records, financial accounts or monitoring systems and the management's response, ensuring that the board of directors responds promptly to the issues raised by the external auditor in its audit statement to the management;
- (IX) to ensure the Company has established suitable channels for employees to report or raise concerns, in confidence, about possible misconducts in financial reporting, internal control or other matters, and to review the relevant arrangements from time to time, so that the Company would conduct fair and independent investigation of these matters and take appropriate actions.

Article 15 The Audit Committee shall report to the board of directors and make recommendations on the measures or improvements as it deemed necessary as well as matters as set out in the provisions of the Corporate Governance Code (and its provisions as amended from time to time), and to consider other topics as defined by the board of directors.

Article 16 The Audit Committee may employ intermediaries to provide professional advices when necessary at the expense of the Company.

Article 17 Where the Company engages or replaces an external auditor, the Audit Committee shall form a review opinion and make recommendations to the board of directors before the board of directors deliberates the relevant proposal.

CHAPTER IV MEETINGS OF THE AUDIT COMMITTEE

Article 18 Meetings of the Audit Committee include regular meetings and extraordinary meetings, which shall be convened and chaired by the convenor of the Audit Committee.

When the convenor of the Audit Committee is unable or refuses to perform his/her duties, an independent non-executive director member shall be designated to perform the duties on his/her behalf.

Article 19 The Audit Committee shall convene at least one meeting every quarter.

The Audit Committee may convene extraordinary meetings as necessary. An extraordinary meeting may be convened upon the request of two or more members of the Audit Committee, or when deemed necessary by the convenor of the Audit Committee.

Article 20 Meetings of the Audit Committee shall be held only when at least two-thirds of the members are present.

Article 21 The opinions for consideration put forward by the Audit Committee to the board of directors shall be passed by more than half of all the members. Any member of the Audit Committee having a conflict of interest in the matters to be discussed in the meeting shall abstain from voting. If no effective opinions for consideration can be formed due to such abstention from voting, the relevant matters shall be directly deliberated by the board of directors.

Article 22 Members of the Audit Committee shall attend meetings in person and express clear opinions on matters under consideration. Where a member is unable to attend the meeting in person for any reason, he/she may submit an instrument of proxy signed by the member, authorizing another member to attend and express opinions on his/her behalf. The instrument of proxy shall clearly specify the scope and duration of the mandate. Each member shall accept delegation from no more than one of the other members. Should an independent non-executive director member be unable to attend a meeting in person for any reason, he/she shall appoint another independent non-executive director member to attend on his/her behalf.

Article 23 Members of the working group may attend the meetings of Audit Committee. When deemed necessary by the Audit Committee, representatives from external audit firms, supervisors, internal auditors, financial personnel, legal counsel, and other relevant personnel of the Company may be invited to attend Committee meetings and provide necessary information.

Article 24 Minutes shall be prepared for Audit Committee meetings. Within a reasonable period from the conclusion of the meeting, the draft and final versions of the minutes shall be circulated to all members. The draft version shall be for members to express their views, while the final version shall serve as record. Members and other attendees present at the meeting shall sign the minutes of the Committee meeting. The minutes shall be properly maintained by the secretary to the board. Upon reasonable notice being given by any director, the relevant minutes shall be made available for inspection by such director at any reasonable period of time.

Article 25 Resolutions passed and voting results from Audit Committee meetings shall be reported in written form to the board of directors of the Company.

Article 26 All attendees of the meeting shall be obliged to keep confidential the matters discussed at the meeting and shall not disclose relevant information without authorization.

Article 27 The procedures for convening meetings of the Audit Committee, the voting methods, and the resolutions passed at such meetings shall comply with the provisions of relevant laws, regulations, securities regulatory rules of the place where the Company's shares are listed, the Articles of Association and these terms of reference.

CHAPTER V INFORMATION DISCLOSURE

Article 28 The Company shall disclose the annual performance of duties of the Audit Committee on the website of Shanghai Stock Exchange concurrently with the disclosure of its annual report, mainly including the performance of its duties and the convening of meetings of the Audit Committee.

Article 29 Where the major issues identified by the Audit Committee during the performance of its duties involve the information disclosure standards stipulated in the securities regulatory rules of the place where the Company's shares are listed, the Company shall disclose the issues and the rectification thereof in a timely manner.

Article 30 The Audit Committee shall present its opinions for consideration to the board of directors on matters within its scope of responsibilities. If the board of directors does not adopt the opinions, the Company shall disclose such matters and fully explain the reasons therefor.

Article 31 The Company shall disclose the special opinions issued by the Audit Committee on major matters of the Company in accordance with the provisions of laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and relevant normative documents.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 32 These terms of reference shall, after consideration and approval by the board of directors, take effect from the date on which the H shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited.

Article 33 Matters not covered by these terms of reference shall be implemented in accordance with the provisions of the relevant laws, regulations of the PRC, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association. In the event of any conflict arising between these terms of reference and the future laws, regulations promulgated by the government, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association as amended through due process, the relevant laws, regulations of the PRC, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association shall prevail, and these terms of reference shall be amended immediately and reported to the board of directors for consideration and approval.

Article 34 The rights to interpret these terms of reference shall be vested in the board of directors of the Company.