

BUSY MING GROUP CO., LTD.

Rules of Procedure for the Audit Committee of the Board

Chapter 1 General Provisions

Article 1 To enhance the decision-making function of the Board, perform pre-audit and professional audit, ensure effective supervision over the management by the Board, the Company hereby establishes the Audit Committee of the Board (hereinafter the “Audit Committee”) and formulates these rules of procedure (hereinafter the “Rules of Procedure”), in accordance with the Company Law of the PRC (hereinafter the “Company Law”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter the “Listing Rules of the Hong Kong Stock Exchange”), the Articles of Association of Busy Ming Group Co., Ltd. (hereinafter the “Articles of Association”), and other relevant laws and regulation, and normative documents.

Article 2 The Audit Committee of the Board is a specialized working committee established by the Board in accordance with the resolutions of the Board, shall be accountable to and report to the Board, and exercise the functions and powers of the Board of Supervisors as stipulated in the Company Law.

Chapter 2 Composition

Article 3 The Audit Committee shall comprise of three members, who are non-executive directors not serving as senior management of the Company, with two independent non-executive directors. At least one independent non-executive director shall be an accounting professional and meet the requirements under the Listing Rules of the Hong Kong Stock Exchange for an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The convener of the Audit Committee shall be an accounting professional from among the independent non-executive directors. The employee representatives in the Board can serve as a member of the Audit Committee.

Article 4 The members of the Audit Committee are elected among the directors and appointed by the Board. The term of office of the members of the Audit Committee shall be subject to the securities regulatory rules of the place where the shares of the Company are listed. The former partner of an external audit firm(s) currently responsible for auditing the accounts of the Company shall not be a member of the Audit Committee of the Company within two years from the following dates (whichever is later): (1) the date on which he/she ceased to be a partner of the external audit firm; or (2) the date on which he/she ceased to enjoy the financial benefits of the external audit firm.

Article 5 The Audit Committee shall have one chairperson, who shall be an accounting professional among the independent non-executive directors and shall be responsible for presiding over the work of the Committee. The chairperson shall be elected among the members and reported to the Board for approval.

Article 6 The term of office of the Audit Committee shall be identical to that of the Board. A member may be re-elected upon the expiration of his/her term of office. If a member ceases to be a director of the Company during the term of office, he/she shall automatically resign from the Audit Committee, and the position so vacated shall be filled by the Committee according to the provisions of Article 3 to 5 above.

Article 7 A member of the Audit Committee may tender his/her resignation before the expiry of his/her term of office. The relevant requirements under laws, regulations, the Listing Rules of the Hong Kong Stock Exchange and the Articles of Associations in relation to the resignation of directors or independent non-executive directors shall be applicable to the resignation by a member.

Chapter 3 Duties and Authorities

Article 8 The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audits, and internal controls. The duties and authorities of the Audit Committee include:

(1) review financial accounting reports and financial information in periodic reports, as well as internal control evaluation reports, including monitoring the completeness of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports (if any), and reviewing significant judgements contained therein in respect of relevant financial reporting. The Audit Committee shall focus on the following matters before submitting such statements and reports to the Board:

1. any changes in accounting policies and practices;
2. major judgmental areas;
3. major adjustments arising from audits;
4. the going concern assumptions and any qualifications;
5. compliance with accounting standards;
6. compliance with other securities regulatory rules of the place where the shares of the Company are listed and legal requirements in relation to financial reporting.

Regarding the above, members of the Audit Committee shall liaise with the Board and senior management of the Company. The Committee shall convene meetings with external auditors of the Company at least twice a year. The Committee shall consider any significant or unusual items that are, or shall be, reflected in such reports and accounts, and shall give due consideration to any matters raised by the staff responsible for accounting and financial reporting, compliance department or external auditors of the Company;

(2) supervise and evaluate the external audit work, propose to the Board the Company's engagement and dismissal of the accounting firms engaged in the audit work of the Company, advise the Board on the remuneration and terms of engagement of the external auditors, and handle any issues relating to the resignation or removal of the external auditors; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; the Committee shall discuss with the external auditors on the nature and scope of the audit and related reporting obligations before the audit commences; develop and implement policies on the provision of non-audit services by the external auditors.

Regarding the above, the “external auditors” shall include any entity under common control, ownership or management with the auditors and any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the auditor nationally or internationally. The Committee shall report to the Board and make recommendations on any matters where action or improvement is needed, perform the role as a major representative of the Company to liaise with external auditors and supervise their relationship;

- (3) supervise the performance of duties in the Company by the directors and the senior management, and propose to remove the directors and the senior management who violated the laws, administrative regulations, the Articles of Association or resolutions of general meeting;
- (4) propose the convening of extraordinary general meeting and, in case the Board does not perform the obligations to convene and preside over the general meeting in accordance with the Company Law, convene and preside over the general meeting;
- (5) submit proposals to the shareholders’ meeting;
- (6) initiate legal proceedings against directors and the senior management according to Article 189 of the Company Law;
- (7) demand the directors or senior management to submit reports on the performance of their duties. Directors and senior management shall provide relevant information and materials truthfully and shall not obstruct the Audit Committee in the exercise of its functions and powers;
- (8) make recommendations to the Board on changes in accounting policies or accounting estimates or correction of material accounting error for a reason other than change in accounting standards;
- (9) inspect the effectiveness of the financial internal control system and risk management system of the Company:
 - 1. to review the financial control, internal control and risk management system of the Company;
 - 2. to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to establish an effective system. The discussion should be given to, among others, the adequacy of resources, qualifications, experience and training of staff and budgets pertaining to the accounting and financial reporting functions;
 - 3. to consider on the major investigation findings on risk management and internal control matters and the management’s response to the investigation findings on its own initiative or under the commission of the Board;
 - 4. to ensure the coordination between internal and external auditors, and ensure that the internal audit function is provided with adequate resources for its operation within the Company and has appropriate standing; and review and monitor its effectiveness;

5. to review the financial and accounting policies and practices of the Company;
6. to review the external audit firm's Audit Letter to the management, any material queries raised by the external auditors to the management about accounting records, financial accounts, risk management or monitor systems and the management's responses;
7. to ensure that the Board will provide a timely response to matters raised in the external audit firm's Audit Letter to the management;
8. to report to the Board on the above matters and other matters as set out in the Code D.3.3 in Appendix C1 of the Listing Rules of the Hong Kong Stock Exchange (and such provision as amended from time to time);

(10) conduct investigation if there are any unusual circumstances in the Company's operations; and if necessary, to engage an accounting firm, law firm or other professional institutions to assist in their work at the expenses of the Company;

(11) other matters prescribed by laws and regulations, securities regulatory rules of the place where the shares of the Company are listed, the Articles of Association, and other matters as authorized by the Board.

The Audit Committee shall exercise its functions and powers in accordance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure, and shall not prejudice the lawful rights and interests of the Company and its shareholders.

Article 9 The following matters shall be submitted to the Board for consideration after obtaining the consent of more than half of the members of the Audit Committee:

- (1) disclosure of the financial information in financial and accounting reports and regular reports, and the evaluation reports on internal control;
- (2) appointment or dismissal of an accounting firm which undertakes audit work of the Company;
- (3) appointment or dismissal of the financial controller of the Company;
- (4) changes in accounting policies or accounting estimates or correction of material accounting error for a reason other than change in accounting standards;
- (5) other matters prescribed by laws, administrative regulations, the China Securities Regulatory Commission (hereinafter the "CSRC"), securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Article 10 The Audit Committee is accountable to the Board. After the Audit Committee reviewed the matters stipulated in the Article 8 and 9 of the Rules of Procedure, a resolution of the Audit Committee meeting shall be formulated, and submitted to the Board of the Company together with relevant proposals for review.

Article 11 The Audit Committee may designate relevant departments and personnel to assist in its work as required.

Chapter 4 Rules of Procedure

Article 12 The Audit Committee shall convene at least one meeting each quarter, and an extraordinary meeting may be convened when proposed by two or more members, or when the convener considers necessary.

A notice shall be given to all members three (3) days before the meeting is held, except for the interim meetings held under special or urgent circumstances. The meeting shall be convened and presided over by the chairperson of the Audit Committee. In the event that the chairperson of the Audit Committee fails to attend the meeting, he or she may appoint another committee member (who shall be an independent non-executive director) to preside over the meeting.

Article 13 The meetings of the Audit Committee shall be held only in the presence of two-thirds or more of the members. The resolutions made by the Audit Committee shall be passed by more than half of the members of the Audit Committee.

Voting on the resolutions of Audit Committee shall be one person, one vote.

Article 14 Meetings may be convened either in person or by communication, or by a combination of both methods, provided that all attending members are able to communicate fully and express their views. Voting shall be conducted by ballot.

Article 15 The Audit Committee, when necessary, may invite other directors and senior management of the Company to attend its meetings.

Article 16 The Company shall provide the Audit Committee with the necessary working conditions. Where required, the Audit Committee may engage intermediaries to provide professional advice for its decision-making, with the costs borne by the Company.

Article 17 The procedures for convening meetings of the Audit Committee, the manner of voting, and the resolutions passed at such meetings must comply with the relevant laws, regulations, securities regulatory rules of the place where the shares of the Company are listed, the Articles of Association, and the provisions of the Rules of Procedure.

Article 18 The Audit Committee should keep the minutes of the meetings. The minutes of the meetings shall be signed by the members present at the meetings, and shall be kept by the secretary of the Board of the Company. The draft and final versions of the minutes shall be delivered to all members within a reasonable time after conclusion of such meetings with the draft version to be used for the expression of opinions by the members and the final version to be used as a record. A director of the Company may inspect the meeting minutes at a reasonable time upon giving reasonable notice.

Article 19 The resolutions approved and the voting results reached at the meetings of the Audit Committee shall be reported in written form to the Board of the Company.

Article 20 All members attending the meetings of the Audit Committee are obliged to keep confidential the matters discussed at the meeting and shall not disclose relevant information without authorization.

Chapter 5 Supplementary Provisions

Article 21 The formulation, amendment and interpretation of the Rules of Procedure should be vested in the Board of the Company.

Article 22 Matters not covered herein shall be subject to relevant national laws and regulations, the Listing Rules of the Hong Kong Stock Exchange and the Articles of Association in force at that time. If the Rules of Procedure conflict with relevant national laws and regulations, the Listing Rules of the Hong Kong Stock Exchange in force at that time, or the amended Articles of Association according to legal procedure, such laws and regulations, securities regulatory rules of the place where the shares of the Company are listed, and the provisions of the Articles of Association shall apply, and the Rules of Procedure shall be amended forthwith and submitted to the Board for consideration and approval.

Article 23 The Rules of Procedure shall, upon the approval of the Board, come into force and effect from the date when the initial public offering of H shares of the Company is filed with the CSRC and listed on The Stock Exchange of Hong Kong Limited.