

FS.COM Limited

Terms of Reference of the Audit Committee of the Board of Directors

CHAPTER I GENERAL PROVISIONS

Rule 1 The Audit Committee of the Board of Directors has been established with these rules in compliance with the Company Law of the People's Republic of China, the Articles of Association of FS.COM Limited (hereinafter referred to as the "Articles of Association"), Rules of Procedure for the Board of Directors of FS.COM Limited, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Listing Rules of Hong Kong Stock Exchange"), in order to reinforce the decision-making function of the Board of Directors and continue to improve the internal control system of FS.COM Limited (hereinafter referred to as the "Company"), so as to ensure effective supervision over the management by the Board of Directors and continue to optimize the corporate governance structure of the Company.

Rule 2 The Audit Committee of the Board of Directors is a special working body set up by the Board of Directors which is primarily responsible for the communications between the Company and external auditors, the supervision and inspection of external auditors, the supervision of internal auditors, the evaluation and improvement of the internal control system of the Company and the risk analysis on the major investment projects in operation of the Company.

CHAPTER II COMPOSITION

Rule 3 The Audit Committee shall consist of three non-executive Directors with a majority of whom being independent non-executive Directors. At least one Committee member shall be an independent non-executive Director with appropriate professional qualifications or appropriate accounting or relevant financial management expertise as required by the Listing Rules of Hong Kong Stock Exchange.

Rule 4 Members of the Audit Committee shall be elected among the Directors and subject to the approval by the Board of Directors. Former partners of the external audit firm currently responsible for auditing the accounts of the Company shall not act as a member of the Audit Committee of the Company for two years from the date (whichever is later) as follows:

- (I) the date of ceasing to be a partner of the external audit firm; or
- (II) the date of ceasing to have any financial interest in the external audit firm.

Rule 5 The Audit Committee shall have one Chairperson (convener) who shall be an independent non-executive Director with professional expertise in accounting and shall be responsible for leading the work of the Committee. The Chairperson shall be elected from among the members of the Audit Committee.

Rule 6 The term of office of the Audit Committee shall be the same as the of the Board of Directors. Members of the Audit Committee may be re-elected upon expiry of the term. If any member ceases to be a Director of the Company during his/her term of office, he/she shall simultaneously lose his/her position as a member. Any vacancy shall be filled by the Board of Directors in accordance with Rule 3 to 5 above.

Rule 7 The audit department of the Company is an internal audit department and shall be the operation institution of the Audit Committee.

Rule 8 If a member fails to attend meetings of the Audit Committee in person for two consecutive meetings of the Audit Committee and fails to appoint other members of the Audit Committee to attend the meeting on his/her behalf, he/she shall be deemed incapable of performing his/her duties and shall be replaced by the Board of Directors.

Rule 9 Save as the circumstances set out in the aforesaid rules and the circumstances in which a person is prohibited from acting as a Director or independent non-executive Director in the Articles of Association, a member shall not be removed without reason before the expiry of his/her term of office.

Rule 10 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 Hong Kong Stock Exchange and the Articles of Association in relation to the resignation of Directors or independent non-executive Directors shall be applicable to the resignation by a member.

Rule 11 Where the Board of Directors removes the position of a member of the Audit Committee pursuant to Rule 8 hereof or a member resigns from his/her position as a member of the Audit Committee before expiry of his/her term of office pursuant to Rule 10 hereof, he/she may continue to perform his/her duties as a Director or independent non-executive Director of the Company with full authority during his/her term of office without any prejudice.

CHAPTER III DUTIES AND AUTHORITIES

Rule 12 The responsibilities of the Audit Committee include:

(I) Relationship with the external audit firm of the Company

1. to make proposals and recommendation to the Board of Directors in respect of the appointment, re-appointment, dismissal or replacement of the external audit firm, approve the remuneration and terms of engagement of the external audit firm, and deal with all matters of resignation or dismissal of the external audit firm;
2. to review and monitor independence and objectivity of the external audit firm and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external audit firm the nature, scope and related reporting responsibility before the audit commences;
3. to formulate and implement policies relating to the provision of non-audit services by the external audit firm. For the purpose of this clause, an external audit firm shall include any entity under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party would reasonably conclude to be part of the local or international operation of the external audit firm. The Audit Committee shall report to and advise the Board of Directors on any action or improvement to be taken;
4. to act as the representative between the Company and the external audit firm and oversee their relationship;

(II) Review of financial information of the Company

1. to monitor integrity of the Company's financial statements and annual reports and accounts, interim reports and quarterly reports (if any), and to review important opinions regarding financial reporting in such statements and reports. In reviewing these statements and reports before submission to the Board of Directors, the Audit Committee shall focus particularly on the following items:
 - (1) any change in accounting policies and practices;
 - (2) judgmental areas;
 - (3) significant adjustments resulting from audit;
 - (4) the going concern assumptions and any qualified opinions;
 - (5) compliance with accounting standards; and
 - (6) compliance with the Listing Rules of Hong Kong Stock Exchange and legal requirements in relation to financial reporting;
2. the purpose of item 1 above:
 - (1) the members of the Committee shall communicate with the Board of Directors and the senior management. The Committee shall meet with the external audit firm at least twice a year; and
 - (2) the Committee shall consider any significant and unusual items that are, or may need to be, reflected in such reports and accounts, and shall give consideration to the matters raised by the staff responsible for accounting and financial reporting function of the Company, compliance officer or the external audit firm;

(III) Oversight of the financial reporting and internal control procedures of the Company

1. to review and evaluate the risk management system and financial control, risk management and internal control systems of the Company;
2. to discuss with the management on internal control system to ensure that the management has performed its duty to maintain an effective system. The matters discussed shall include the adequacy of resources, qualifications, experience and training of staff and budgets pertaining to the accounting and financial reporting functions of the Company;

3. to review major investigation findings on internal control and the management's response to these investigation findings on its own initiative or as delegated by the Board of Directors;
4. to ensure co-ordination between the internal audit function and the external audit firm, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
5. to review the financial and accounting policies and practices of the Group;
6. to review the Audit Explanation Letter to the management from the external audit firm, any material query raised by the external audit firm to management about the accounting records, financial accounts or systems of control and response from the management;
7. to ensure that the Board of Directors will provide a timely response to the issues raised in the Audit Explanation Letter to the management from the external audit firm;
8. to make report to the Board of Directors in respect of the above-mentioned matters and other matters as set out in code provision D.3.3 of Appendix C1 to the Listing Rules of the Hong Kong Stock Exchange (or the provisions thereof as amended from time to time);
9. to discuss other topics assigned by the Board of Directors;
10. to review the following arrangements of the Company: the employees of the Company may, in confidence, raise concerns about possible irregularities in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take necessary actions accordingly.

(IV) Others

1. other duties as provided for in the Articles of Association;
2. Other relevant matters as required by laws and regulations and securities regulations of the place where the shares of the Company are listed, and as authorized by the Board of Directors;
3. The Company shall provide the Audit Committee with sufficient resources to perform its duties.

Rule 13 The Audit Committee shall be accountable to the Board of Directors. The proposals of the Committee shall be submitted to the Board of Directors for consideration and decision. The Audit Committee shall cooperate with the Supervisory Committee in its auditing activities of Supervisors.

Rule 14 The Audit Committee shall publish its Terms of Reference on the website of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Stock Exchange") and the website of the Company, explaining its role and the powers delegated to it by the Board of Directors.

CHAPTER IV RESPONSIBILITIES OF THE CHAIRPERSON

Rule 15 The Chairperson of the Audit Committee shall mainly perform the following responsibilities:

- (I) convening regular meetings of the Audit Committee;
- (II) convening extraordinary meetings of the Audit Committee under special circumstances;
- (III) presiding over meetings of the Audit Committee;
- (IV) arranging and preparing research reports on audit projects;
- (V) reviewing and finalizing daily research reports;
- (VI) other duties as authorized by the Board of Directors and the Audit Committee.

CHAPTER V WORKING PROCEDURES

Rule 16 The audit department shall be responsible for making the preliminary preparations for decision making of the Audit Committee, and provide the relevant written information of the Company in relation to:

- (I) relevant financial reports of the Company;
- (II) work reports of internal audit function and external audit firm;
- (III) external audit contracts and the relevant working reports;
- (IV) public disclosure of information made by the Company;
- (V) audit reports regarding major connected transactions of the Company;
- (VI) financial and legal information about major investment projects;
- (VII) other relevant information.

Rule 17 The Audit Committee shall make comments on the reports provided by the internal audit department and submit relevant written resolutions to the Board of Directors for discussion with respect to:

- (I) the evaluation of work conducted by the external audit firm, and appointment and replacement of the external audit firm;
- (II) whether the Company's internal audit systems have been effectively implemented, and whether its financial reports are complete and true;
- (III) whether the information disclosed to the public by the Company is objective and true, and whether the major connected transactions of the Company are in compliance with relevant laws and regulations;
- (IV) evaluation of the work of the financial department and the audit department of the Company, including the respective persons in charge;
- (V) other relevant matters.

CHAPTER VI RULES OF PROCEDURES

Rule 18 The Audit Committee shall convene at least two meetings every year. The Chairperson may propose to convene an extraordinary meeting, and the notice of the meeting shall be served to all members five days prior to the meeting. The meeting shall be presided over by the Chairperson. In the event that the Chairperson is unable to attend the meeting, he/she may authorize another member to preside over the meeting.

Rule 19 Meetings of the Audit Committee shall not be held without the presence of no less than two-thirds (including two-thirds) of the members. Each member shall have one vote. A resolution of the meeting shall be passed by a simple majority of the votes of all members.

A member of the Audit Committee who has an interest in the matters to be discussed at the meeting shall abstain from voting.

In the event that a resolution cannot be passed due to abstention by a member of the Audit Committee, the relevant matters shall be considered by the Board of Directors directly.

Rule 20 Meetings of the Audit Committee shall normally be convened in the form of on-site meetings. In special circumstances, a meeting may be convened by way of correspondence upon consent by the Chairperson, provided that members of the Committee are fully endorsed to express their views. If a vote is taken by means of communication or by a show of hands, members of the Audit Committee shall be deemed to have attended the meeting and agreed to the details of the resolutions by signing on the resolutions of the meeting.

Rule 21 The person-in-charge of the audit department may attend the meetings of the Audit Committee; and Directors, Supervisors and senior management members of the Company may be invited to attend such meetings when necessary.

Rule 22 The Audit Committee may, if necessary, engage intermediary institutions to provide professional advice on its decisions at the expense of the Company.

Rule 23 The convening, voting and passing of resolutions of the meetings of the Audit Committee shall be in compliance with the requirements under the relevant laws, regulations, securities regulations of the place where the shares of the Company are listed, the Articles of Association and these rules.

Rule 24 Resolutions and voting results from the Audit Committee meetings shall be submitted in writing to the Board of Directors of the Company. Minutes shall be kept for the meetings of the Audit Committee and shall be signed by members present at the meetings. The minutes of the meetings shall be filed by the Company. Upon the reasonable notice of any Director, such minutes shall be available for inspection by the Director in a reasonable period of time.

The minutes of the Audit Committee meetings shall provide a sufficiently detailed record of the matters considered and decisions reached at the meetings, including all concerns raised by Directors and dissenting opinions expressed by members. After the meetings, the draft and final versions of the minutes shall be sent to all Audit Committee members sequentially within a reasonable time for their review and comments.

Rule 25 All members of the Committee and persons attending the meetings shall keep the matters discussed at the meetings confidential, and shall not disclose the relevant information without authorization.

CHAPTER VII SUPPLEMENTARY PROVISIONS

Rule 26 Unless otherwise stated, terms used in herein shall have the same meanings ascribed to them in the Articles of Association.

Rule 27 For any matters not covered by these rules, the relevant laws and regulations of the PRC in effect at that time, the Listing Rules of the Hong Kong Stock Exchange and the Articles of Association shall prevail. In the event that these rules are in contravention with the relevant laws and regulations of the PRC in effect at that time, the Listing Rules of Hong Kong Stock Exchange or the Articles of Association as amended under lawful procedures, the relevant laws and regulations of the PRC in effect at that time, securities regulations of the place where the shares of the Company are listed and the Articles of Association shall prevail. Amendments to these rules shall be made forthwith and submitted to the Board of Directors for approval.

Rule 28 These rules, after being approved by the Company's Board of Directors, shall become effective on the date on which the issuance of H shares of the Company is filed with the CSRC and listed on the Hong Kong Stock Exchange. The Board of Directors shall be responsible for amending and interpreting these rules.