Flat Glass Group Co., Ltd.
Terms of Reference of the Audit Committee of the Board of Directors

Chapter 1 General Provisions

Article 1 In order to strengthen the decision-making function of the board of directors (the "Board") of Flat Glass Group Co., Ltd (hereinafter referred to as the "Company", "the Company" or "the Group"), conduct pre-audit and professional audit, ensure the effective supervision of the Board over the management, and improve the corporate governance structure, the Company has specially established the audit committee of the Board (hereinafter referred to as the "Audit Committee") and formulated the implementation rules for the Audit Committee in accordance with the Company Law of the People's Republic of China, Code of Corporate Governance for Listed Companies, Measures for the Administration of Independent Directors of Listed Company, Rules Governing the Listing of Securities on Shanghai Stock Exchange (the "Shanghai Stock Exchange Listing Rules", Self-Regulatory Guidelines for Listed Companies of Shanghai Stock Exchange No. 1 – Standardized Operation, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules of Stock Exchange"), the Articles of Association of Flat Glass Group Co., Ltd (hereinafter referred to as the "Articles of Association") and other relevant regulations.

Article 2 The Audit Committee of the Board is a special committee under the Board and is mainly responsible for reviewing the financial information of the Company and its disclosure, communicating, supervising and evaluating internal and external audit work and internal control.

Chapter 2 Composition

Article 3 The Audit Committee comprises three non-executive directors who do not serve as senior management of the Company, and a majority of whom shall be independent non-executive Directors, and one of which shall be an accounting professional.

Article 4 Members of the Audit Committee shall be nominated by the chairman, more than half of the independent non-executive directors or one third of all directors, and shall be elected and appointed by the Board.

Article 5 The Audit Committee shall have one chairman, who shall be acted by an independent non-executive director member who is an accounting professional, shall be responsible for convening and presiding over the committee, and the chairman of Audit Committee shall be determined by the Board.

Article 6 The term of office of the Audit Committee shall be consistent with that of the Board. A member of the Audit Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office.

If any member resigns from the position of director of the Company during his/her term of office or any member as an independent director who loses his or her independence as required under the Articles of Association and/or Listing Rules of Stock Exchange, he/she shall ipso facto and immediately cease to hold the position of committee member. The vacancy shall be filled by the Board within three months in accordance with Articles 3 to 5 above.

Article 7 An Audit Department is set up by the Company, to conduct internal audit under the guidance and inspection of the Audit Committee. The secretary to the Board shall take charge of the specific coordination between the Audit Committee and the Board.

Chapter 3 Terms of Reference

Article 8 The Audit Committee of the Board is responsible for reviewing the company's financial information and its disclosure, overseeing and evaluating both internal and external audit work, and internal controls. The terms of reference of the Audit Committee are:

(1) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of external auditors, approving the remuneration and appointment terms to external auditors, and dealing with any issues related to the resignation or dismissal of the auditors;

(2) to review and monitor external auditors' independence and objectivity and the effectiv1nd the effecf

(14) regarding (13) above:

(i) members of the Audit Committee should liaise with the Board and senior management of the Group. The committee must meet, at least twice a year, with external auditors of the Company; and

(ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and it should give due consideration to any matters that have been raised by the staff responsible for accounting and financial reporting function, compliance officer or the auditors of the Company;

(15) to discuss with the auditors about the problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management of the Group where necessary);

(16) to formulate the proposal on the annual and interim profit distribution and capital reserve capitalization of the Company;

(17) to review the Company's financial controls, internal control and risk management systems;

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

(19) to consider major investigation findings on risk management and internal control matters as

(25) to review the internal control audit reports issued by the external audit institutions, as well as the matters and improvement measures found after communication with the external audit institutions;

(26) to evaluate the internal control assessment and audit results, and to supervise the rectification of deficiencies in internal control;

(27) to review the Letter of Explanation on Audit issued by external auditors to the management, any significant issues raised by the auditors to the management in relation to the accounting records, financial accounts or control systems and the management's response;

(28) to ensure that the Board will provide a timely response to the issues raised in the Letter of Explanation on Audit issued by external auditors to the management;

(29) to conduct interviews with any director, president, chief financial officer or head of the internal audit department of the Company upon their resignation in order to ascertain the reasons for his/her departure;

(30) to submit the draft work reports during the period to the Board for review; and to submit the draft summary reports during the period for publishing in the Group's interim and annual reports;

(31) to consider the opinions of the Board that requests to add, replace or remove any person to be a member of the Audit Committee, auditors, accounting (including internal auditing department) staff;

(32) to report to the Board on the above matters;

(33) to review the following arrangements of the Company: the employees of the Company can, in

The following matters shall be submitted to the Board of Directors for consideration with the consent of more than half of all members of the Audit Committee:

(i) the disclosure of the financial information in the financial and accounting reports and the regular reports, and the internal control assessment reports;

(ii) the appointment or removal of an accounting firm which engages in the audit business of the Company;

(iii) the appointment or removal of the financial officer of the Listed Company;

(iv) the changes in accounting policies and accounting estimates or correction in significant accounting errors for reasons other than changes in accounting standards;

(v) other matters stipulated by laws, administrative regulations, departmental rules, the regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

Article 9 The Audit Committee shall guide the internal audit work, and its duties shall at least include the following aspects:

(1) to supervise the implementation of the internal audit plan of the Company;

(2) to supervise the implementation of the company's internal audit plan;

(3) to review the internal audit reports, evaluate the results of internal audit and supervise the rectification of material matters;

(4) to guide the effective operation of the internal audit department.

The Company's internal audit department shall report to the Audit Committee. Any audit reports, plans for rectification of audit issues and rectification progress shall be forwarded to the Audit Committee;

Article 10 The Audit Committee shall report to the Board and submit proposals to the Board for consideration and approval. The Audit Committee shall cooperate with the supervision and audit activities of the Company's Board of Supervisors.

Article 11 The Audit Committee shall report to the Board on any matters where action or improvement it deems necessary and make corresponding recommendations.

Chapter 4 Procedures of Decision-making

Article 12 The secretary to the Board shall coordinate with the Audit Department and other relevant departments to provide the Audit Committee with the following written materials for decision-making purpose:

(1) relevant financial reports of the Company;

(2) relevant financial reports of the Company;

(3) external audit contract and related work reports;

(4) audit reports of internal control system of the Company;

(5) external information disclosure of the Company;

(6) audit reports on material related party transactions of the Company;

(7) other relevant matters.

Article 13 The Audit Committee shall convene meetings to discuss reports submitted by the Audit Department and other departments, and shall submit its relevant written resolutions to the Board for discussion:

(1) work appraisal on external audit institutions, and the engagement and replacement of external audit institutions;

(2) whether the internal audit system of the Company has been effectively implemented, and whether the financial reports of the Company are true and complete;

(3) whether the financial reports and other information disclosed by the Company are objective and true, and whether the material related party transactions of the Company comply with the relevant laws and regulations;

Article 14 The members of the Audit Committee shall superintend the Audit Department to review the following matters, prepare a review report and submit it to the Board at least once every quarter.

(1) implementation of significant matters of the Company including use of raised proceeds, external guarantees, related party transactions, securities investment, venture capital investment, external financial assistance, purchase or sale of assets and external investment;

(2) large-value transactions of the Company and the transactions with directors, supervisors, senior management members, controlling shareholder and de facto controller and their respective associates.

Article 15 The working procedures of annual reports of the Audit Committee are as follows:

(1) the Audit Committee shall decide the schedule of auditing annual financial reports through communication with the accounting firm;

(2) instruct the accounting firm to submit audit reports within the period agreed, and shall record the method, times and results of the instructions in written form which shall be confirmed with the signature of the relevant persons in charge;

(3) the Audit Committee shall review the financial accounting statements prepared by the Company and put down its opinions in written form before entrance of the CPA for annual audit;

(4) strengthen the communication with the CPA for annual audit after their entrance, and review

Chapter 5 Procedural Rules

Article 16 The Audit Committee meetings shall convene at least once every quarter. When two or more members propose, or when the convener considers necessary, an extraordinary meeting can be held.

All members shall be notified three days prior to the Audit Committee meeting. Where there are emergency situations, the meeting of the Audit Committee shall be held as soon as possible, with the unanimous consent of all members, the service of the notice regarding the meeting may be made through telephone or orally at any time, the convening of the meeting is not subject to the time limit of the aforementioned notice.

The Audit Committee meeting shall be presided over by the chairman of the Audit Committee, who shall designate another independent non-executive director to preside over the meeting if he/she is unable to perform his/her duties.

Article 17 An Audit Committee meeting shall be held with the attendance of more than two-thirds of the members; each member shall have one vote; resolutions made at the meeting shall be adopted by a majority of all members.

Article 18 Members of the Audit Department may attend meetings of the Audit Committee. The Directors, supervisors and other senior management of the Company may be invited to attend meetings of the Audit Committee, where necessary.

Where an agenda item relating to a member is to be discussed at the meeting of the Audit Committee, such related member shall abstain from the meeting in respect thereof. The said meeting of the Audit Committee may be held by more than one-half of the unrelated members attending the meeting and resolutions proposed shall be passed by more than one-half of the unrelated members; where the number of unrelated members attending the meeting falls below one-half of the total number of unrelated members of the Audit Committee, such matter shall be submitted to the Board for consideration.

Article 19 Members of the Audit Committee shall attend meetings in person and express opinions on matters under consideration. In the event that a member is unable to attend the meeting in person for any reason, the member may submit a power of attorney signed by him or her and appoint another member to attend the meeting and express opinions on his/her behalf. If any independent non-executive director member is unable to attend the meeting for any reason, he/she shall review the meeting materials in advance to form explicit advice, appoint another independent non-executive director member to attend on his/her behalf. Each member could be entrusted by no more than one member at one time. The power of attorney shall specify the scope and duration of authorization.

Article 20 Votes at the meetings of the Audit Committee shall be made by a show of hands or by poll or via other voting method recognized by regulatory authority(ies) of the place where the shares of the Company are listed. The meetings shall be convened on site in principle. Provided that all Directors can fully express their opinions at the meetings, such meetings can be held by means of video, telephone, or other methods when necessary.

Article 21 Where necessary, the Audit Committee may engage intermediate agencies to provide professional advice for its decision-making at the expense of the Company.

Article 22 The convening procedure of, and voting method and resolutions passed at, meetings of the Audit Committee shall comply with the requirements of the relevant laws, regulations, the Articles of Association and these rules.

Article 23 The Audit Committee shall keep minutes for its meetings. Draft and the final version of minutes shall be sent to all members of the Audit Committee within a reasonable period of time after the meeting, the draft for their comments and the final version for their records. Members of the committee present at such meetings and meeting recorder shall sign the minutes. The minutes shall be kept by the secretary to the Board of the Company for a period of not less than ten years.

Article 24 Members attend and present at a meeting shall be obliged to keep confidential all matters discussed in such meeting, and shall not disclose any relevant information without authorization before public disclosure by the Company.

Chapter 6 Supplementary Provisions

Article 25 The terms of "external auditors" and "external audit institutions" as referred to under these rules herein shall have the same meaning.

Article 26 Any matter undefined in these rules or inconsistent with relevant laws, administrative regulations, normative documents, regulatory rules of the place where the Company's shares are listed and the Articles of Association, the relevant laws, administrative regulations, normative documents, the regulatory rules of the place where the Company's shares are listed and the Articles of Association shall prevail firstly.

Article 27 The term "above" under these rules is inclusive, while "exceeding" is exclusive.

Article 28 The Board of the Company is responsible for interpreting these rules. These rules will take effect as reviewed and approved by the Board, including the same on revision.

Article 29 If there is any inconsistency between the English and Chinese versions of these rules, the Chinese version shall prevail.