



Document No	W-GM-I-006	Release Date	121004
Document Name	Regulations Governing Management over the Organizational Rules of the Audit Committee	Version	B

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1. Objectives:

This Audit Committee of the Board of Directors is duly organized to assure a sound managerial functions of the Company's Board of Directors.

2. Scope:

The composition, number of members, tenure of office, responsibilities and powers, rules of meetings and the resources to be provided by the Company upon exercise of the responsibilities and powers of the Committee shall all be duly subject to these Organizational Rules.

3. Powers and responsibilities:

The responsible units of the Company's Board of Directors shall take charge of all issues regarding the responsibilities and powers.

4. Definitions:

Nil.

5. Contents of operations:

5.1 To assure a sound managerial functions of the Board of Directors of Advanced Lithium Electrochemistry (Cayman) Co., Ltd. (hereinafter referred to as the Company), this Audit Committee of the Board of Directors is duly organized (hereinafter referred to as the Committee)

5.2 The composition, number of members, tenure of office, responsibilities and powers, rules of meetings and the resources to be provided by the Company upon exercise of the responsibilities and powers of the Committee shall all be duly subject to these Organizational Rules.

5.3 The Committee duly operates primarily aimed at the following superintending objectives:



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- 5.3.1 Fair and authentic presentation of the Company's financial statements.
- 5.3.2 The appointment (discharge), independence and performance of the auditing Certified Public Accountant(s).
- 5.3.3 Effective enforcement of the Company's internal control system.
- 5.3.4 The Company's law compliance, laws and rules and regulations.
- 5.3.5 Existence and control over the potential risks of the Company.
- 5.4 All members of the Committee shall come from the independent directors and shall not be less than the minimum of three in number and shall include a minimum of one with expertise in accounting or finance.
- From among all Committee members, one convener shall be elected who shall, as well, chair the Committee meeting. The independent directors of the Committee hold a three-year tenure of office and are eligible for reelection. In the event that the total number of the Committee members falls below the quorum set forth under the preceding paragraph or the Company's Articles of Incorporation due to discharge of an independent director, a supplementary election shall be conducted in the nearest shareholders' meeting. In the event that all posts of the independent directors are discharged or vacated in full, a temporary (extraordinary) meeting of shareholders shall be convened within sixty (60) days after occurrence of the incident to conduct the supplementary election.
- 5.5 The Committee shall hold the following responsibilities and powers:



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- 5.5.1 Enact or amend the internal control system in accordance with the Company's Articles of Incorporation.
- 5.5.2 Evaluate the effective performance of the internal control system.
- 5.5.3 Enact or amend the Procedures to Acquire or Dispose of Assets, Procedures to Engage in Transaction and Disposal of Derivatives, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by the Company in accordance with the Company's Articles of Incorporation.
- 5.5.4 Review issues that involve the interests of directors themselves.
- 5.5.5 Review transactions of major assets or derivative financial instruments
- 5.5.6 Review issues of major loading of funds, endorsement or provide guarantees.
- 5.5.7 Review placement, issuance or privately placed securities.
- 5.5.8 Review appointment, discharge or remuneration of auditing Certified Public Accountant(s).
- 5.5.9 Review appointment and discharge of financial, accounting or internal audit heads.
- 5.5.10 Review annual, semiannual financial statements except a semiannual financial statement which calls for no audit by a Certified Public Accountant according to law.
- 5.5.11 Review other major issues regarding requirements of the Company or the competent authorities of the government.

The aforementioned issues call for resolution by one-second majority vote and shall be submitted to



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the Board of Directors for final resolution.

The issues under Paragraph I except that set forth under Subparagraph 10 may be duly resolved by a two-thirds majority vote of all directors if not resolved by a one-second majority vote by all Committee members.

The term “all Committee members” as set forth herein denotes those actually incumbent ones.

The Committee’s convener represents the Committee externally.

5.6 The Committee shall convene a meeting at least once per quarter and may convene a meeting whenever necessary.

The notices to convene a meeting of the Committee shall expressly bear the subjects of the meeting and served to all members of the Committee seven (7) days in advance except a case of an emergency.

In case of absence or unavailability by the convener, the convener shall appoint another Committee member to act as the substitute. In the event that the convener does not appoint a substitute, one shall be duly elected from among other members of the Committee to act as the substitute.

The Committee may resolve a decision to invite managerial officer(s) of the relevant department(s), internal auditor(s), Certified Public Accountant(s), legal consultant(s) to participate in the meetings as non-voting guest participants and to provide information as necessary.

The Committee shall, upon convening a meeting, provide relevant information to the present Committee members for reference at any time.

5.7 Upon convening of a Committee meeting, the Company shall provide sign-in book where the present Committee members may sign in and provide reference.

All Committee members shall participate in the meeting in person. A member who is unavailable to participate in person in a meeting may authorize another member to be present as his or her proxy. A member who attends a meeting through video system shall sign presence by FAX and is deemed to have attended in person.

A Committee member who authorizes another member as the proxy to participate in a meeting on behalf shall duly issue power of attorney and expressly enumerate the scope of the powers authorized.



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Decisions in the Committee meeting shall be duly resolved by a one-second majority vote. The results of voting shall be reported on-the-spot and worked out into minutes.

In the event that the Committee is unable to convene a meeting under a justifiable reason, it calls for a decision to be duly resolved by a two-thirds majority vote of all directors of Board of Directors. In case of an issue under Article V, Paragraph 1, Subparagraph 10, nevertheless, the independent director(s) shall still issue opinions regarding whether they agree.

A proxy as defined under Paragraph II may be authorized only by one principal.

- 5.8 Issues discussed and resolved in the Committee shall be covered in the minutes which shall expressly bear the following issues:
- 5.8.1 Session, time and location of the Meeting.
 - 5.8.2 Name of the chairperson
 - 5.8.3 Facts of participation by members, including participants, absentees, Committee members on leave, their names and the total numbers.
 - 5.8.4 Names and position titles of non-voting guest participants.
 - 5.8.5 Name of the minute keeper.
 - 5.8.6 Issues reported.
 - 5.8.7 Issues discussed: The methods of voting and results of all issues, abstracts of voices by the Committee members, experts and other participants, the voices of objection or reservation.
 - 5.8.8 Occasional (extemporaneous) motions: Names of proposers, methods and results of balloting, abstracts of voices from Committee members, experts and other participants, voices in objection or reservation.
 - 5.8.9 Other particulars which should be entered.



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The Committee's sign-in book shall function as an integral part of the minutes and shall be archived permanently.

The minutes shall be duly signed or affixed seal by the chairperson and the minutes keeper, served to all Committee members within twenty (20) days after the meeting and shall be classified as the top secret in the business secrets and shall be archived permanently while the Company exists.

The minutes set forth under Paragraph I may be worked out and distributed in electronic means.

5.9 The agenda of a Committee meeting shall be worked out by the convener. Other member(s) may, as well, provide issues to be discussed in the meeting.

5.10 A Committee member shall be subject to avoidance from presence (recuse) on issues which involve his or her own interests which are likely to impair the Company.

In the event that the Committee cannot resolve a decision due to the requirements set forth under the preceding paragraph, the issue shall be reported to the Board of Directors which shall, in turn, resolve a decision.

5.11 The Committee may retain an Attorney-at-Law, Certified Public Accountant or other professional to conduct audit or render consultation as necessary under Articles III and V, all fees so incurred shall be borne by the Company.

5.12 All Committee members shall exercise due diligence as a *bona fide* administrator to faithfully fulfill the duties and responsibilities set forth under these Organizational Rules and to report to the Board of Directors. All proposals offered by the Committee members shall call for resolution by the Board of Directors.

5.13 The Committee shall reassess the issues linked up with these Organizational Rules on a regular basis and provide them to the Board of Directors for amendment as necessary. The issues duly resolved in the Committee may be authorized to the convener or other Committee members for continual enforcement who shall report to the Committee during the period of enforcement. The enforcement personnel shall report to the Committee either in writing or orally. Such issues may, necessary, be acknowledged retrospectively or reported in the ensuing meeting of the Committee.



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5.14 These Organizational Rules and amendment hereof are put into enforcement after being resolved by the Board of Directors; provided, that the amendment of these Organizational Rules resolved by the Board of Directors on June 13, 2011 would come into effect when the tenure of office of the Company's first term Independent Directors starts to run.

6. References:

Nil.

7. Forms & lists:

Nil.

8. Appendix(es):

Nil.