

# MeiG Smart Technology Co., Ltd.

## Terms of Reference for the Audit Committee of the Board (Applicable after the issuance and listing of H Shares)

### Chapter 1 General Provisions

**Article 1** In order to effectively supervise of the management and to improve the corporate governance structure, MeiG Smart Technology Co., Ltd. (the “**Company**”) hereby establishes the Audit Committee of the Board of Directors of the Company (the “**Board**”) and formulates the Terms of Reference in accordance with the Company Law of the People’s Republic of China, the Guidelines for Corporate Governance of Listed Companies, the self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1: Standardized Operation of the Companies Listed on the Main Board, the Administrative Measures for Independent Directors of Listed Companies, and other laws, administrative regulations, provisions of the China Securities Regulatory Committee (the “**CSRC**”), business rules of the Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), as well as other laws, regulations, normative documents, relevant regulatory rules (the “**securities regulatory rules of the places where the Company’s stocks are listed**”) of the securities regulatory authorities and stock exchanges in the places where the Company’s shares are listed (the “**securities regulatory authorities in the places where the Company’s shares are listed**”), and the Articles of Association of MeiG Smart Technology Co., Ltd. (the “**Articles of Association**”), among other relevant provisions.

**Article 2** The Audit Committee is a specialized working body established by the Board pursuant to a resolution of the shareholders’ meeting. It is primarily responsible for the review of the financial information of the Company and its disclosure, supervision and evaluation of the internal and outside audit work and the internal control of the Company.

### Chapter 2 Composition

**Article 3** The Audit Committee shall be composed of 3 directors, all of whom shall be independent directors, with at least one of whom must be an accounting professional. At least one independent director of the Committee shall possess the appropriate professional qualifications as required under the Hong Kong Listing Rules, or shall have appropriate accounting or relevant financial management expertise. Directors who are members of the Company’s senior management may not serve as members of the Audit Committee.

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

**Article 5** The Audit Committee shall have 1 chairperson (convener), who shall be an independent director with accounting expertise and be responsible for presiding over the work of the Committee; the chairperson shall be elected by the Audit Committee members and subject to the approval of the Board.

**Article 6** The term of office for the Audit Committee shall be the same as that of the Board. Members may serve consecutive terms if re-elected upon the expiration of their term. If any member resigns from the position of director of the Company during his/her term of office or any member who shall be an independent director no longer possesses the independence as specified in the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, he/she shall automatically lose his/her position as a Committee member, and the vacancy shall be filled by the Committee in accordance with the provisions of Articles 3 to 5 of this terms of reference.

**Article 7** The Board Office of the Company provides comprehensive services to the Audit Committee and is responsible for coordinating daily communications and organizing meetings. The financial and internal audit departments of the Company shall provide professional support to the Committee, and are responsible for preparing relevant data and providing relevant feedback on the implementation of internal control systems. When the Audit Committee performs its duties, the Company's management and relevant departments shall provide their full cooperation.

### **Chapter 3 Duties and Authorities**

**Article 8** The Audit Committee exercise the authorities of supervisory committee stipulated in the Company Law of the People's Republic of China and the main duties and authorities of the Audit Committee are as follows:

- (I) to supervise and evaluate external audit work, and propose to appoint or change of external auditors; making recommendations to the Board on the remuneration and terms of appointment of external auditors, and handling any issues relating to the resignation or removal of such auditors; reviewing and monitoring the external auditors based on applicable standards to see whether it is independent, objective and whether the auditing procedures are effective; the Committee shall discuss with the auditors about the nature, scope and relevant reporting responsibilities of the audit before commencement of auditing work. formulating and implementing policies for the appointment of an external auditors to provide non-audit services. For the purpose of this provision, "an external auditors" includes any entity that is under common control, ownership or management with the company responsible for auditing, or a third party who has reasonable knowledge about all relevant information will determine under reasonable circumstances that such entity is an entity which is part of the domestic or international business of the company responsible for auditing. The Committee

shall report to the Board, and make proposals, on any action or improvement considered to be necessary;

- (II) to supervise and evaluate the internal audit work, and be responsible to coordinate the communication between the internal audit and the external audit and the cooperation with the external auditing, and act as the main representative between the Company and the external auditor and be responsible for monitoring the relationship between the two parties;
- (III) to audit the financial information of the Company and its disclosure; including monitoring the completeness of the financial statements, annual reports and accounts, interim reports and quarterly reports of the Company, and reviewing the material opinions on financial reporting contained in the statements and reports. When the Committee submits the relevant statements and reports to the Board, it shall specially review the following matters:
  - 1. any changes in accounting policies and practices;
  - 2. major judgmental areas;
  - 3. significant adjustments resulting from the audit;
  - 4. the going concern assumptions and any qualifications;
  - 5. compliance with accounting standards;
  - 6. compliance with other securities regulatory rules the place where the Company's shares are listed and legal requirements in relation to financial reporting. For the purpose of item (III)4 above, the members of the Committee should liaise with the Board and senior management members of the Company. The Committee shall meet at least twice a year with the Company's external auditor; the Committee shall consider any significant or unusual matter that is, or may need to be, reflected in such reports and accounts and shall pay due attention to any matter that has been raised by the Company's staff responsible for accounting and financial reporting function, compliance department or external auditor.

(IV) to evaluate the effectiveness of internal control, examine and supervise the effective operation of the financial reports, internal control system and risk management system of the Company

1. to review the Company's financial controls, internal control systems and risk management systems;
2. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
3. to consider major investigation findings on risk management and internal control matters as delegated by the board or on its own initiative and management's response to these findings;
4. to ensure coordination between internal and external auditors; to ensure the internal audit function is adequately resourced and has appropriate standing within the Company; and to review and monitor whether the internal control function is effective;
5. to review the Company's financial and accounting policies and practices;
6. to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts, risk management or systems of control and management's response;
7. to ensure that the Board responds promptly to the issues raised in the external auditor's management letter;
8. to report to the Board on the matters mentioned above and other matters as stated in Code Provision D.3.3 (and any amendments thereto from time to time) of Appendix C1 to the Hong Kong Listing Rules;

(V) to be responsible for supervising and improving the principles, structure and system of corporate governance, including:

1. developing and evaluating the policies and practices on corporate governance and making recommendations to the Board;

2. reviewing and monitoring the training and continuous professional development of directors and senior management members;
  3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
  4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) for the employees and directors; and
  5. reviewing the Company's compliance with the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules and disclosure in the Corporate Governance Report.
- (VI) to coordinating the communications among the management, the internal audit department and relevant departments with the external auditor;
- (VII) to monitor the performance of duties by directors and senior management officers, and propose dismissal of such directors and senior management members as in breach of the laws, administrative regulations, the Articles of Association or the resolutions of general meetings;
- (VIII) to require directors and senior management members to make corrections in the event that their conduct has damaged the interests of the Company;
- (IX) to propose the convening of extraordinary general meetings and, in the event that the Board does not perform the obligations to convene and preside over the general meetings in accordance with the Articles of Association;
- (X) to put forward proposals at the general meetings;
- (XI) to initiate legal proceedings against directors and senior management members in accordance with relevant regulations;
- (XII) other matters prescribed by laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed in a timely manner or stipulated by the Articles of Association and authorized by the Board.

**Article 9** The Audit Committee is responsible to the Board, and proposals of the Committee shall be submitted to the Board for consideration and decision.

**Article 10** The Audit Committee shall carry out the following primary duties when supervising and evaluating the work of internal audit department:

- (I) guiding and supervising the establishment and implementation of the internal audit system;
- (II) reviewing the annual internal audit work plan of the Company;
- (III) supervising the implementation of the Company's internal audit plan;
- (IV) directing the effective operation of the internal audit department. The internal audit department of the Company shall report to the Audit Committee. All types of audit reports, rectification plans for audit issues and rectification status submitted by the internal audit department to the management shall be submitted to the Audit Committee at the same time;
- (V) reporting the progress and quality of the internal audit work as well as significant issues identified to the Board;
- (VI) coordinating the relationship between the internal audit department and external audit units such as accounting firms and state audit institutions.

**Article 11** The Board and the Audit Committee shall, based on the evaluation report and relevant materials issued by the internal audit department, issue an annual internal control self-evaluation report on the establishment and implementation of internal control systems related to financial reporting and information disclosure matters. The internal control self-evaluation report shall at least include the following:

- (I) the Board's statement on the truthfulness of the internal control report;
- (II) the overall status of internal control evaluation work;
- (III) the basis, scope, procedures and methods of internal control evaluation;
- (IV) internal control deficiencies and their identification;
- (V) the rectification status of internal control deficiencies in the previous year;
- (VI) proposed rectification measures for internal control deficiencies during the current year;
- (VII) conclusion on the effectiveness of internal controls.

**Article 12** The following matters shall be submitted to the Board for consideration after being approved by half or more of all members of the Audit Committee:

- (I) disclosure of financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (II) engagement or dismissal of accounting firms that conduct an audit business for the Company;
- (III) appointment or dismissal of the Company's chief financial officer;
- (IV) changes to accounting policies, accounting estimates or corrections of significant accounting errors for reasons other than changes in accounting standards;
- (V) other matters as required by laws, administrative regulations, the CSRC, listing rules of the place where the Company's shares are listed and the Articles of Association.

**Article 13** The Audit Committee shall supervise and instruct the internal audit department to conduct inspections of the following matters at least once every six months, and issue inspection reports and submit them to the Audit Committee. If it is identified during the inspection that the Company has violated laws and regulations or operated in an irregular manner, the Audit Committee shall report to the regulatory authorities in a timely manner:

- (I) the implementation of major matters such as the use of funds raised by the Company, provision of guarantees, related transactions, securities investment and derivative transactions, the provision of financial assistance, purchase or sale of assets, and external investments;
- (II) substantial fund movements of the Company and fund movements with directors, senior management members, controlling shareholders, de facto controllers and their associates.

The Audit Committee shall issue a written assessment on the effectiveness of the Company's internal control based on the internal audit report and relevant materials submitted by the internal audit department, and report to the Board. If the Board or the Audit Committee considers that there are material deficiencies or significant risks in the internal control of the Company, or if the Sponsor, independent financial adviser, accounting firms point out that there are material deficiencies in the effectiveness of public company's internal control, the Board shall report and disclose such deficiencies to the securities regulatory authorities of the place where the Company's shares are listed in a timely manner.

**Article 14** The Audit Committee of the Board shall review the Company's financial accounting reports and provide opinions on their truthfulness, accuracy and completeness, and focus on significant accounting and audit issues of the financial accounting reports of the Company. It shall pay particular attention to potential fraud, malpractice and material misstatements relating to the financial accounting reports, and oversee the rectification of any issues identified therein. The Committee shall make recommendations to the Board on the appointment or replacement of the external auditor, review the audit fees and engagement terms of the external auditor, and shall not be improperly influenced by the substantial shareholders, de facto controllers or directors and senior management members of the Company.

The Audit Committee shall urge the external auditor to be honest, trustworthy, diligent and responsible, and to strictly abide by the business rules and industry discipline regulations, strictly implement the internal control system, check and verify the Company's financial accounting reports, perform the special care obligations, and prudently express professional opinions.

**Article 15** If the directors and senior management members of the Company discover that there are false entries, misleading statements or material omissions in the financial accounting reports issued by the Company and report to the Board, or if the sponsor, independent financial advisor or external auditor points out to the Board that there are false entries, misleading statements or material omissions in the financial accounting reports of the Company, the Board shall promptly report to the securities regulatory authorities in the place where the Company's shares are listed and disclose the same.

If the Company discloses relevant information in accordance with the preceding paragraph, it shall disclose the material problems existing in the financial accounting report, the consequences that have been or may be caused, and the measures taken or intended to be taken in the announcement.

The Audit Committee of the Company shall urge the relevant responsible departments of the Company to formulate rectification measures and the timing of rectification, conduct follow-up reviews, supervise the implementation of the rectification measures and disclose the completion of the rectification in a timely manner.

**Article 16** The Company shall disclose the annual performance of the Audit Committee in the annual report, including mainly the specific situation of the performance of its duties and the convening of the Audit Committee meetings.

If the Audit Committee makes recommendations to the Board on matters within the scope of its duties and responsibilities, and the Board does not adopt such recommendations, the Company shall disclose such matters and fully explain the reasons.

## Chapter 4 Decision-making Procedures

**Article 17** The Board Office of the Company or other relevant departments shall be responsible for preparatory work for the Audit Committee's decision-making and shall provide written materials concerning the relevant aspects of the Company:

- (I) relevant financial reports of the Company;
- (II) work reports of internal and external auditors;
- (III) external audit contracts and related work reports;
- (IV) disclosure of information by the Company to the public;
- (V) audit reports on material related transactions of the Company;
- (VI) Other relevant materials required for the Audit Committee to perform the duties specified in Article 8.

**Article 18** The Audit Committee shall evaluate the reports provided by the Board Office or relevant departments at its meetings and submit relevant written resolutions to the Board for discussion, including:

- (I) evaluation of the work of external auditors, appointment and replacement of external auditors;
- (II) whether the Company's internal audit system has been effectively implemented and whether the Company's financial reports are comprehensive and true;
- (III) whether the financial reports and other information disclosed by the Company are objective and true, and whether the Company's material related transactions comply with relevant laws and regulations;
- (IV) evaluation of the work of the Company's finance department and audit department, including their respective heads;
- (V) other relevant matters.

## Chapter 5 Terms of Reference

**Article 19** Audit Committee meetings can be divided into regular meetings and extraordinary meetings. The Audit Committee shall hold at least four regular meetings every year and at least one meeting every quarter. Three days' notice shall be given to all members before the meeting. The meetings shall be presided over by the chairman. If the chairman is unable to attend, he/she may entrust another member (independent director) to preside over the meeting.

Members of the Audit Committee may propose to convene an extraordinary meeting of the Audit Committee. The convener of the Audit Committee shall, within three days upon receiving the proposal, convene and preside over the extraordinary meeting. An extraordinary meeting may be convened if proposed by two or more members, or if the convener deems it necessary. When the convener is unable or fails to perform his/her duty, another member who is an independent director shall convene and preside over the meeting.

**Article 20** A meeting of the Audit Committee shall be held only if two-thirds or more of its members are present; each member shall have one vote.

Members of the Committee shall express their opinions clearly and independently based on their own judgment and strive to reach a unified opinion. Where it is truly difficult to reach a unified opinion, all differing opinions shall be recorded in the meeting minutes with explanations provided.

Resolutions made at the meeting must be passed by more than half of all the committee members.

**Article 21** A member of the Audit Committee may attend a meeting in person, or may appoint another member to attend the meeting and exercise voting rights on his/her behalf.

A member of the Audit Committee may appoint only one other member as his/her proxy to exercise the voting rights on his/her behalf at one meeting.

**Article 22** The member of the Audit Committee who attends the meeting of the Committee and exercises voting rights by proxy shall submit to the presider of the meeting the power of attorney. The latest time to submit the power of attorney shall be before the voting procedure of the meeting.

**Article 23** The content of the power of attorney shall state the following:

- (I) the name of the principal;
- (II) the name of the attorney;
- (III) the entrusted matters;
- (IV) the instruction on how to exercise the voting rights (i.e. for, against, abstain) in respect of the proposals of the meeting;
- (V) the term of authorization;
- (VI) the signing date of the power of attorney.

The power of attorney shall be signed by both the principal and the attorney.

The principal may not grant a general power of attorney to the attorney to attend the meeting on their behalf without stating their personal views and voting intentions on the proposals of the meeting. The attorney, in turn, shall not accept a general power of attorney or any authorization that is not clearly specified.

**Article 24** Voting at Audit Committee meetings shall be by show of hands or ballot. Extraordinary meetings may be convened by communication correspondence.

**Article 25** The Audit Committee may request the head of the internal audit department to sit in on the meetings. When necessary, other directors and senior management members of the Company may also be invited to sit in on the meetings.

**Article 26** If necessary, the Audit Committee may engage intermediaries to provide professional advice for its decision-making at the Company's expense.

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

**Article 28** Minutes shall be kept for meetings of the Audit Committee. Members attending the meeting shall sign the minutes. The minutes of the meetings shall be kept by the secretary to the Board of the Company. Meeting materials and minutes shall be kept for no less than 10 years.

**Article 29** Resolutions passed and voting results at meetings of the Audit Committee shall be reported to the Board of the Company in writing.

**Article 30** Members attending the meetings are under a duty of confidentiality with respect to the proceedings of the meetings and shall not disclose the relevant information without authorization.

## **Chapter 6 Supplementary Provisions**

**Article 31** After being considered and approved by the Board, these terms of reference shall come into effect from the date on which the H Shares issued by the Company commence listing on the Stock Exchange of Hong Kong Limited.

**Article 32** Matters not covered in these terms of reference shall be implemented in accordance with the relevant national laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the provisions of the Articles of Association. Should these terms of reference conflict with national laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association as lawfully amended in the future, the provisions of the relevant national laws, administrative regulations, 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 revised accordingly in a timely manner.

**Article 33** The Board shall be responsible for the interpretation of these terms of reference.