

# Flat Glass Group Co., Ltd.

## Term of Reference of the Audit Committee of the Board of Director

### Chapter 1 General Provision

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

**Article 2** The Audit Committee of the Board is a special committee of the Board and mainly responsible for supervising the financial information of the Company and its subsidiaries, communicating with the independent audit and external audit institutions.

### Chapter 2 Composition

**Article 3** The Audit Committee consists of three independent directors holding the majority of the Company, and a majority of them 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, and the half of the independent non-executive directors and the half of all directors, and shall be elected and appointed by the Board.

**Article 5** The Audit Committee shall have the chairman, who shall be acted by an independent non-executive director member who is an accounting professional, shall be eligible for re-election and resignation, and the chairman of the 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 be re-elected or re-elected. The resignation of the member of the Audit Committee shall be effective.

If a member resigns from the position of director of the Company or resigns from the position of a member of the Board, the resignation shall be effective from the date of resignation of the member of the Audit Committee. The vacancy shall be filled by the Board within three months in accordance with Article 3 to 5 above.

**Article 7** The Audit Delegation Committee shall be the Committee, to conduct the audit of the organization and report to the Audit Committee. The Executive Board shall take charge of the specific coordination between the Audit Committee and the Board.

### Chapter 3 Term of Reference

**Article 8** The Audit Committee of the Board is responsible for the company's financial information disclosure, the evaluation of the external audit firm, the audit fee, the audit contract. The term of reference of the Audit Committee are:

- (1) to be responsible for making recommendations to the Board on the appointment, evaluation and removal of external auditors, and signing the engagement and audit terms of reference, and dealing with any issues related to the engagement of the external auditors;
- (2) to evaluate and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (3) to discuss with the auditor the audit procedures of the audit and the obligations of the external auditors to the company;
- (4) to evaluate and implement the policies of the internal control system of the company. For the purpose of this clause, the external auditor shall include a report that is deemed to be confidential, the management of the company shall be entitled to that a third party has a reasonable knowledge of all the information. The external auditor shall be able to conduct the internal control audit of the company. The Audit Committee shall evaluate and report to the Board on the management's effectiveness of the external auditors;
- (5) to discuss and communicate with external auditors about the company, the audit firm, the audit method and major issues identified in the audit;
- (6) to facilitate communication between the management, the external auditor and the external audit firm of the company and external auditors;
- (7) to monitor and evaluate the diligence and competence of external auditors;
- (8) to monitor the integrity of the company's financial statements, a financial statement, the internal control system (if any), and the significance of the financial statements to them;
- (9) to evaluate the company's financial statement and the audit firm, complete and accurate financial statements;



(14) ega di g (13) ab e:

(i) membe f the A dit C mmittee h ld liai e ith the B a d a d e i ma ageme t f the G . The c mmittee m t meet, at lea t t ice a ea , ith e te al a dit f the C m a ; a d

(ii) the A dit C mmittee h ld c ide a ig ifica t . al item that ae, ma eed t be, eflected i ch e t a d acc . t , a d it h ld gi e d e c ide ai t a matte that ha e bee ai ed b the taff e ible f acc . ti g a d fi a cial e ti g f cti , c m lia ce ffice the a dit f the C m a ;

(15) t di c ith the a dit ab t the blem a d e e ai a i i g f m the i te im a d fi al a dit , a d a matte the a dit ma i h t di c (i the ab e ce f ma ageme t f the G . he e ce a );

(16) t f m late the al the a al a d i te im fit di t ib. ti a d ca ital e e e ca italizati f the C m a ;

(17) t e ie the C m a ' fi a cial c t l , i te al c t l a d i k ma ageme t tem ;

(18) t di c the i k ma ageme t a d i te al c t l tem ith ma ageme t t e e that ma ageme t ha e f med it d t t ha e effecti e i te al c t l tem . Thi di c i h ld i cl de the ade . ac f e . ce , taff . alificati a d e ie ce, t ai i g g am a d b. d get f the C m a ' acc . ti g a d fi a ci g e ti g f cti ;

(19) t c ide maj i e tigati fi di g i k ma ageme t a d i te al c t l matte a

- (25) to exercise the powers conferred by the external audit institution, and all the matters of importance referred after communication with the external audit institution;
- (26) to evaluate the internal control system and, accordingly, to identify the deficiencies of internal control;
- (27) to exercise the powers of Explanatory Audit conferred by the management, a significant role played by the audit of the management in relation to the accounting records, financial accounts and internal control of the management's activities;
- (28) to ensure that the Board will provide a timely report on the role played by the Explanatory Audit conferred by the external audit of the management;
- (29) to conduct in cooperation with a director, the chief financial officer or head of the internal audit department of the Company the investigations in order to ascertain the exact facts of the matter;
- (30) to submit the draft report of the Board of Directors; and to submit the draft annual report of the Board of Directors to the General Meeting of the Company;
- (31) to consider the possibility of the Board that, in order to add value to the Company, a member of the Audit Committee, accordingly, investigate (in collaboration with the management) staff;
- (32) to elect the Board of Directors the audit committee;
- (33) to exercise the full range of powers of the Company: the employees of the Company, in confidence, in accordance with the applicable regulations in financial reporting, internal control and the matters; to ensure that the management and employees of the Company to conduct fair and independent investigations and to take appropriate action accordingly;
- (34) to act as the key representative of the Company and external audit in matters relating to the Company;
- (35) to consider and implement the matters designated by the Board; and
- (36) the matters authorized by the Board stipulated by law, administrative regulations, departmental rules, the regulations of the place where the Company is established, and the Articles of Association.

The fulling matter shall be submitted to the Board of Directors for consideration with the consent of a majority of all members of the Audit Committee:

- (i) the disclosure of the financial information in the financial statements and the related notes, and the internal control system;
- (ii) the annual financial statements and the annual financial report of the Company;
- (iii) the annual financial report of the Limited Company;
- (iv) the change in accounting policies and accounting estimates, correction of significant accounting errors and the change in accounting standards;
- (v) the matters related to the, admission, delisting, delisting, the delisting of the shares of the Company have been listed, and the Article of Association.

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

- (1) to review the implementation of the internal audit of the Company;
- (2) to review the implementation of the Company's internal audit;
- (3) to review the internal audit report, evaluate the effectiveness of the internal audit and review 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. The audit report, the rectification of the audit issues and the rectification results shall be forwarded to the Audit Committee;

**Article 10** The Audit Committee shall elect the Board of Directors and the Board of Supervisors. The Audit Committee shall cooperate with the Board of Directors and the Board of Supervisors.

**Article 11** The Audit Committee shall elect the Board of Directors and the Board of Supervisors. The Audit Committee shall elect the Board of Directors and the Board of Supervisors.

## Chapter 4 Procedure of Decision-making

**Article 12** The Secretary to the Board shall coordinate with the Audit Dea tme t a d the ele a t de a tme t t o ide the Audit C mmittee ith the full i g itte material f deci i -maki g e:

- (1) ele a t fi a cial e t f the C m a ;
- (2) ele a t fi a cial e t f the C m a ;
- (3) exte al a dit c t act a d elated k e t ;
- (4) a dit e t fi te al c t l tem f the C m a ;
- (5) exte al i f mati di cl e f the C m a ;
- (6) a dit e t material elated a t t a acti f the C m a ;
- (7) the ele a t matte .

**Article 13** The Audit C mmittee hall c e e meeti g t di c e t bmitted b the Audit De a tme t a d the de a tme t , a d hall bmit it ele a t itte e l ti t the B a d f di c i :

- (1) k a ai al exte al a dit i tit ti , a d the e gage me t a d e laceme t f exte al a dit i tit ti ;
- (2) he the i te al a dit tem f the C m a ha bee effecti el im leme ted, a d he the fi a cial e t f the C m a a et e a d c m lete;
- (3) he the fi a cial e t a d the i f mati di cl ed b the C m a a e bjecti e a d t e, a d he the material elated a t t a acti f the C m a c m l ith the ele a t la a d eg lati ;
- (4) the e al ai the e f ma ce f the i te al fi a cial de a tme t a d the a dit de a tme t (i cl di g it head);
- (5) the ele a t matte .

**Article 14** The members of the Audit Committee shall advise the Audit Dealing Committee of the findings of the audit, and shall submit to the Board at least once a year:

- (1) a summary of significant matters of the Company which give rise to concerns, external guarantees, related party transactions, executive remuneration, external financial assistance, shareholder influence and external remuneration;
- (2) a general statement of the Company and the transactions with directors, officers, executive management members, controlling shareholders and de facto controllers and their respective associates.

**Article 15** The key responsibilities of the Audit Committee are as follows:

- (1) the Audit Committee shall decide the schedule for annual financial statements through communication with the accounting firm;
- (2) instruct the accounting firm to submit a draft with the period agreed, and shall record the method, time and details of the instructions issued from which shall be complied with the integrity of the elements of change;
- (3) the Audit Committee shall review the financial statements prepared by the Company and discuss with the independent members before the CPA financial audit;
- (4) to get the communication with the CPA financial audit after their acceptance, and review the financial statements of the Company after the CPA financial audit give their elimination audit independent members;
- (5) the Audit Committee shall review the annual financial statements and submit recommendations to the Board after the resolution is made;
- (6) the Audit Committee shall submit the final report to the Company's directors regarding the accounting firm for the current year and the independent members regarding the engagement, selection, the accounting firm for the next year to the Board.



## Chapter 5 Procedural Rules

**Article 16** The A. dit C mmittee meeti g hall c e e at least ce e e .ate . Whe t m e membe e, he the c e e c ide ece a , a ext a di a meeti g ca be held.

All membe hall be tified thee da i t the A. dit C mmittee meeti g. Whe e the e a e eme ge c itati , the meeti g f the A. dit C mmittee hall be held a a ible, ith the a im . c e t fall membe , the e ice f the tice ega di g the meeti g ma be made th . gh tele h e all at a time, the c e i g f the meeti gi t . bject t the time limit f the af eme ti ed tice.

The A. dit C mmittee meeti g hall be e ided e b the chai ma f the A. dit C mmittee, h hall de ig ate a the i de e de t -exec ti e di ect t e ide e the meeti g if he/ he i . able t e f m hi /he d tie .

**Article 17** A A. dit C mmittee meeti g hall be held ith the atte da ce f m e tha t -thi d f the membe ; each membe hall ha e e te; e l ti made at the meeti g hall be ad ted b a maj it f all membe .

**Article 18** Membe f the A. dit De a tme t ma atte d meeti g f the A. dit C mmittee. The Di ect , e i a d the e i ma ageme t f the C m a ma be i ited t atte d meeti g f the A. dit C mmittee, he e ece a .

Whe e a age da item elati g t a membe i t be di c ed at the meeti g f the A. dit C mmittee, ch elated membe hall ab tai f m the meeti gi e e ct the e f. The aid meeti g f the A. dit C mmittee ma be held b m e tha e-half f the elated membe atte di g the meeti g a d e l ti ed hall be a ed b m e tha e-half f the elated membe ; he e the mbe f elated membe atte di g the meeti g fall bel e-half f the t al mbe f elated membe f the A. dit C mmittee, ch matte hall be . bmitted t the B a d f c ide ati .

**Article 19** Membe f the A. dit C mmittee hall atte d meeti g i e a d ex e i i matte . de c ide ati . I the e e t that a membe i . able t atte d the meeti gi e f a ea , the membe ma . bmit a e fatt e ig ed b him he a da it a the membe t atte d the meeti g a d ex e i i hi /he behalf. If a i de e de t -exec ti e di ect membe i . able t atte d the meeti g f a ea , he/ he hall e ie the meeti g mate ial i ad a ce t f m ex licit ad ice, a i t a the i de e de t -exec ti e di ect membe t atte d hi /he behalf. Each membe c . ld be e t . ted b m e tha e membe at e time. The e fatt e hall ecif the c e a d d ati f a th izati .

**Article 20** V te at the meeti g f the A. dit C mmittee hall be made b a h f ha d b ll ia the ti g meth d ec g ized b eg lat a th it (ie ) f the lace he e the ha e f the C m a a e li ted. The meeti g hall be c e ed ite i i ci le. P ided that all Di ect ca ll ex e thei i i at the meeti g , ch meeti g ca be held b mea f ide , tele h e, the meth d he ece a .

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

**Article 22** The constitution and voting method adopted at, meeting of the Audit Committee shall comply with the provisions of the Articles of Association and the Rules.

**Article 23** The Audit Committee shall keep minutes of its meetings. Draft and the final version of minutes shall be sent to all members of the Audit Committee immediately after the meeting, the draft of their comments and the final version of their records. Members of the committee meet at each meeting and meeting records shall include the minutes. The minutes shall be kept by the secretariat of the Board of the Company for a period of five years.

**Article 24** Members attending a meeting shall be obliged to keep confidential all matters discussed at each meeting, and shall not disclose any confidential matters without authorization before public disclosure by the Company.

## Chapter 6 Supplementary Provisions

**Article 25** The terms of external audit and external audit institution shall be determined by the Rules. The fees shall have the same meaning.

**Article 26** A matter defined in the Rules is consistent with the Articles, admission and withdrawal, matters of the place of the Company shall have a right to demand the Articles of Association, the Articles of Association, admission and withdrawal, matters of the place of the Company shall have a right to demand the Articles of Association shall be available.

**Article 27** The term of the Rules is inclusive, unless exceeding exclusive.

**Article 28** The Board of the Company is responsible for the implementation of the Rules. The Rules shall take effect after being adopted by the Board, in accordance with the same provisions.

**Article 29** If there is a conflict between the English and Chinese versions of the Rules, the Chinese version shall prevail.