

# 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 of 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 of 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 reviewing 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 responsible for coordinating and organizing the committee, 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 committee shall be effective.

If a member resigns from the committee of the Company or the chairman of the committee or a member of the committee resigns from the committee, he/she shall immediately cease to hold the position of committee member. 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 internal control system, the external audit work, and the external audit. 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 external auditors;
- (2) to evaluate the internal control system of the company and the effectiveness of the internal control system in accordance with applicable standards;
- (3) to discuss with the auditors the audit procedures of the company and the obligations of the company - to discuss the external audit firm engaged before the audit commences;
- (4) to evaluate the independence of the internal audit department. For the independence of the internal audit department, the external audit firm shall declare in writing that it is independent, and the internal audit department shall declare that it has no relationship with the external audit firm. The external audit firm shall declare that it has no relationship with the internal audit department. The Audit Committee shall evaluate and report to the Board on the independence of the internal audit department;
- (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 internal audit department and external auditors;
- (7) to monitor and evaluate the diligence and objectivity of external auditors;
- (8) to monitor the integrity of the company's financial statements, and to report to the board, to the internal audit department (if any) and to the external auditors (if any) on the financial reporting of the company;
- (9) to evaluate the company's financial reporting system, the internal control system, and to report to the board on the financial reporting system;



(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 t i 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 t i 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 elect the international audit committee, and all  
 the matters of importance referred after communication with the external audit committee;
- (26) to evaluate the international elements of the audit, and to evaluate the effectiveness of the international audit;
- (27) to elect the Letter of Exchange Audit Committee, and to  
 signification of the audit of the management in relation to the accounting records,  
 financial accounts and the management's results;
- (28) to ensure that the Board will provide a timely report to the Letter of Exchange Audit Committee on the management;
- (29) to conduct the investigation, identify, chief financial officer head of the international  
 audit department of the Company, the investigation is to take the lead of his /  
 her department;
- (30) to submit the draft letter to the Board of Directors; and to submit the draft  
 financial statement to the Board of Directors;
- (31) to consider the proposal of the Board that the external auditor be a  
 member of the Audit Committee, and to, accordingly (in accordance with the  
 staff);
- (32) to elect the Board of Directors;
- (33) to elect the full-time members of the Company; the members of the Company, in  
 confidence, are acceptable in the investigation of the international  
 matters; to ensure that the management is placed before the Company to conduct  
 a detailed investigation and to take appropriate action accordingly;
- (34) to act as the key representative of the Company and external audit in relation to his /
- (35) to consider and implement the matters designated by the Board; and
- (36) the matters authorized by the Board, as provided 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 financial performance of the company;
- (iii) the annual financial statements of the Limited Company;
- (iv) the change in accounting policies and accounting estimates, corrections of significant accounting errors and the change in accounting standards;
- (v) the matters related to the company, administrative regulations, contractual relations, the legal relations of the company and the company's shareholders, and the Articles 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 law of the company;
- (2) to review the implementation of the company's internal audit law;
- (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. Annual audit reports, internal audit rectification reports and external audit reports 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 e t 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 decide the Audit Deatement to be the full time member, and shall submit to the Board at least once a year.

- (1) implement the significant matters of the Company in accordance with the external audit, related to the activities, activities in the time, external activities in the time, external financial activities, and other external activities;
- (2) the general and activities of the Company and the activities in direct, indirect, and other management members, controlling shareholders and de facto controllers and their respective associates.

**Article 15** The following are the duties of the Audit Committee as follows:

- (1) the Audit Committee shall decide the schedule for the annual financial statements through communication with the accounting firm;
- (2) instruct the accounting firm to submit a draft of the audit agreement, and shall decide the method, time and details of the instructions in writing which shall be confirmed with the signatories of the elements of the change;
- (3) the Audit Committee shall review the financial accounting statements prepared by the Company and submit its written report to the CPA firm before the CPA firm's audit;
- (4) together with the communication with the CPA firm's audit after the acceptance, and review the financial accounting statements of the Company after the CPA firm's audit give their elimination and submit its written report;
- (5) the Audit Committee shall review the annual financial accounting statements and submit the statements to the Board after the resolution is made;
- (6) the Audit Committee shall submit the final report of the Company's audit to the accounting firm for the external audit and the external audit firm to the external audit firm, the accounting firm for the external audit of 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 it ati , 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 g i 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 -e . ec . 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 g i 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 e e i i matte . de c ide ati . I the e e t that a membe i . able t atte d the meeti g i 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 e e i i hi /he behalf. If a i de e de t -e . ec . 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 e . licit ad ice, a i t a the i de e de t -e . ec . 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 e c if 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 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 .

