

Wuxi Lead Intelligent Equipment 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 Wuxi Lead Intelligent Equipment Co., Ltd. (the “Company”), implement pre-audit and professional audit, ensure the effective supervision of the management by the Board, and enhance its corporate governance structure, the Company has established the Audit Committee of the Board and formulated these terms of reference in accordance with the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Shares on the ChiNext market of Shenzhen Stock Exchange, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), the Articles of Association and other relevant requirements.

Article 2 The Committee is a special committee established under the Board, which is accountable to the Board and reports to the Board.

CHAPTER 2 COMPOSITION

Article 3 The Audit Committee shall consist of 3 directors, and its members shall be directors not serving as senior management members of the Company, including half or more of independent directors, at least one of whom shall be a professional accountant who possesses the appropriate professional qualifications as required by Rule 3.10(2) of the Hong Kong Listing Rules, or possesses appropriate accounting or related financial management expertise.

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

A partner of the current external audit firm engaged by the Company shall be prohibited from serving as a member of the Audit Committee within two years from the date on which such person ceases to be a partner of the audit firm or ceases to have any financial interest in the current external audit firm, whichever is later.

Article 5 The Audit Committee shall have 1 chairman (convener), who shall be an independent director with accounting expertise and be responsible for presiding over the work of the Committee.

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 these terms of reference.

Where the resignation of a member would result in the number of members on the Audit Committee falling below the minimum number required or the proportion of independent directors failing to fulfill the relevant requirement, the former member shall continue to perform his/her duties until the new member assumes office.

Article 7 The Audit Committee shall establish a working group as the daily operation unit. The secretary to the Board of the Company shall provide comprehensive services to the Audit Committee, including 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.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 8 The main duties and authorities of the Audit Committee include at least:

- (I) Relationship with the external auditors of the Company
 1. to make recommendations to the Board on the appointment, dismissal or replacement of the external auditor, approve the remuneration and terms of appointment of the external auditor, and handle any issues in relation to the resignation or dismissal of such external auditor;
 2. to review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
 3. to develop and implement policy on engaging an external auditor to provide non-audit services. For this purpose, external auditor shall include any entity that is under the common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board and make recommendations regarding any matters that require action or improvement;
 4. act as the main representative between the Company and the external auditor and be responsible for monitoring the relationship between the two parties.
- (II) To supervise and evaluate the internal audit work, and be responsible for overseeing and coordinating internal and external audits;

(III) To review the Company's financial information

To review and monitor the truthfulness, completeness and accuracy of the Company's financial statements, annual reports and accounts, interim reports and quarterly reports and to review significant financial reporting judgements contained therein, with particular attention to the potential for fraud, malpractice or material misstatement in the financial statements and reports. In reviewing these reports before submission to the Board, the Committee shall pay particular attention to the following:

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) 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 supervise and evaluate the Company's financial reporting system, risk management and internal control

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 14 to the Hong Kong Listing Rules;

(V) To review the Company's arrangements which allows employees of the Company to anonymously raise concerns about possible improprieties relating to the financial reporting, internal control or other matters, and the Audit Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and take appropriate action in such matters;

(VI) To exercise the authority of the Supervisory Committee specified in the Company Law;

(VII) Other matters as required by laws, regulations, listing rules of the place where the Company's shares are listed and as conferred by the Board.

Article 9 The Audit Committee of the Board of the Company shall be responsible for reviewing the Company's financial information and its disclosure, and supervising and evaluating internal and external audit work and internal control. 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 10 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 and accounting reports, perform the special care obligations, prudently express professional opinions, and submit audit reports within the agreed time frame.

The Audit Committee shall submit every year to the Board a summary report on the engaged external auditor's performance of duties, as well as a summary report on the Audit Committee's performance of supervisory responsibilities on the external auditor.

The Committee shall make recommendations to the Board on the appointment or replacement of the external auditor, review the audit fees and engagement contracts of the external auditor, and shall not be improperly influenced by the major shareholders, actual controllers or directors and senior management members of the Company.

Article 11 The Audit Committee shall carry out the following primary duties when guiding and supervising 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 12 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:

- (I) the implementation of major matters such as the use of funds raised by the Company, provision of guarantees, related transactions, risky investments such as securities investment and derivative transactions, the provision of financial assistance, purchase or sale of assets, and external investments;
- (II) the transactions involving a large amount of funds of the Company and the transactions with directors, senior management members, controlling shareholders, actual controllers and their related parties.

Article 13 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.

If any member of the Audit Committee cannot guarantee the truthfulness, accuracy and completeness of the financial information in the periodic report or has any objection, he/she shall vote against or abstain from voting when the Audit Committee reviews the periodic report.

Article 14 The Audit Committee shall supervise and guide the internal audit department in carrying out internal control inspections and internal control evaluations, and urge the internal audit department to assess the risk status of key areas and key links of the Company's internal controls. The Audit Committee may organize regular analyses of evaluation opinions and inspections, and internal control deficiencies discovered during the inspections shall be reflected in the internal control evaluation report.

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.

Article 15 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 external auditor points out that there are material deficiencies in the effectiveness of the Company's internal control, the Board shall report and disclose such deficiencies to the Shenzhen Stock Exchange in a timely manner. The Company shall disclose the material deficiencies or significant risks in the internal control, the consequences that have been or may be caused, and the measures taken or intended to be taken in an announcement.

Article 16 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 17 The Audit Committee shall review reports from the internal audit department concerning material deficiencies or significant risks in internal control. Where the Audit Committee is of the view that there are material deficiencies or significant risks in the internal control of the Company, or where financial fraud, fund misappropriation, unauthorized guarantees and other issues are identified, the Audit Committee shall promptly report to the Board. The Audit Committee shall supervise the relevant responsible department to formulate rectification plans, conduct follow-up review on internal control, oversee the implementation of the rectification measures, and disclose the completion progress of rectification in a timely manner.

CHAPTER 4 DECISION-MAKING PROCEDURES

Article 18 The internal audit department of the Company is responsible for making preparations for the Audit Committee's decision-making and providing written information on relevant aspects of the Company:

- (I) relevant financial reports and internal control evaluation 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 major related transactions of the Company;
- (VI) other relevant matters.

Article 19 The meetings of the Audit Committee shall review the reports provided by the internal audit department of the Company and submit the relevant written resolution materials to the Board for discussion:

- (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 major related transactions comply with relevant laws and regulations;
- (IV) other relevant matters.

CHAPTER 5 RULES OF PROCEDURE

Article 20 Audit Committee meetings can be divided into regular meetings and extraordinary meetings. The Audit Committee shall hold at least one meeting every quarter. An extraordinary meeting may be convened if proposed by two or more members, or if the convener deems it necessary. The notice of Audit Committee meeting shall be sent to all members 3 days before the meeting by hand, post, facsimile, email, telephone or other instant messaging tools. Under special or emergency circumstances, the above notice period requirement may be waived.

Meetings shall be convened and presided over by the convener. If the convener is unable to attend the meeting, he/she may authorize another independent director to preside.

Article 21 Meetings of the Audit Committee shall, in principle, be convened on-site, and voting shall be conducted by a show of hands or ballot. On the premise of ensuring that all participating directors can fully communicate and express their opinions, a meeting may be held and resolutions may be made by written text, telephone, video, email, circulation of written resolutions or other means, and shall be signed (including electronic signatures) by the participating members.

Article 22 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; and resolutions made at the meeting must be passed by more than half of all the committee members.

Article 23 The secretary to the Board may sit in on the meetings of the Audit Committee. When the Audit Committee considers necessary, personnel of the internal audit department of the Company may sit in on the meetings of the Audit Committee. When necessary, representatives of the external auditor, legal advisors, as well as directors and other senior management members of the Company, may also be invited to sit in on the meetings.

Article 24 If necessary, the Audit Committee may engage intermediaries to provide professional advice for its decision-making at the Company's expense.

Article 25 The procedures for convening the meetings of the Audit Committee, the voting method and the proposals passed at the meetings shall comply with relevant laws, 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 26 Minutes shall be kept for meetings of the Audit Committee. Members and minute-taker attending the meeting shall sign the minutes. The minutes of the meetings shall be kept by the secretary to the Board for no less than 10 years. A draft and final version of the meeting minutes shall be sent to all members for their comment and records respectively.

Article 27 Resolutions passed and voting results at meetings of the Audit Committee shall be reported to the Board of the Company in writing.

Article 28 Members attending the meetings and other persons sitting in on 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 29 Capitalized terms used in these terms of reference shall have the same meanings as those used in the Articles of Association unless the context requires otherwise.

Article 30 Matters not covered in these terms of reference shall be implemented in accordance with the relevant national laws and regulations, administrative regulations, normative documents, the relevant requirements of the securities regulatory authorities 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, regulations, normative documents, the relevant requirements of the securities regulatory authorities 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, regulations, normative documents, the relevant requirements of the securities regulatory authorities 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 and submitted to the Board for consideration and approval.

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 Hong Kong Stock Exchange.

Article 32 These terms of reference shall be interpreted by the Board of the Company.