SG Micro Corp

Terms of Reference of the Audit Committee of the Board of Directors

(2025 Revision)

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SG Micro Corp

Terms of Reference of the Audit Committee of the Board of Directors

Chapter 1 General Provisions

Article 1 In order to improve the corporate governance structure of SG Micro Corp (the "**Company**"), the Company has established the Audit Committee of the Board of Directors (the "**Audit Committee**") and enacted these Terms of Reference in accordance with the Company Law of the People's Republic of China (the "**Company Law**"), the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Articles of Association of SG Micro Corp (the "**Articles of Association**"), and other relevant provisions.

Article 2 The Audit Committee is a specialized body established by the Board of Directors in accordance with the Company's Articles of Association. It exercises the powers of the supervisory committee as stipulated in the Company Law and is primarily responsible for coordinating, supervising, and verifying internal and external audits.

Chapter 2 Composition

Article 3 The Audit Committee consists of three Directors who do not hold positions as senior management officers within the Company, two of whom are Independent Directors, and at least one of the Independent Directors is an accounting professional.

Members of the Audit Committee shall act with due diligence to effectively oversee and evaluate the Company's internal and external audit work, promote the establishment of effective internal controls, and ensure the preparation of true, accurate, and complete financial reports.

All members of the Audit Committee are required to have the expertise and experience that enable them to perform the duties of the Audit Committee.

Article 4 Members of the Audit Committee shall be nominated by the Chairperson of the Board, at least half of the Independent Directors or at least one-third of all the Directors, and shall be elected by the Board of Directors.

Article 5 The Audit Committee shall have one Chairperson, who shall be an Independent Director (who shall be an accounting professional) and shall be responsible for convening committee meetings and presiding over the committee's work. The Chairperson shall be elected by the committee and appointed upon approval by the Board of Directors.

Article 6 The term of office for members of the Audit Committee shall be the same as their term of office on the Board of Directors. Upon the expiration of their term, members may be re-elected. If, during this period, a committee member ceases to serve as a Director of the Company, such member shall automatically lose his/her committee membership, and the Board of Directors shall fill the vacancy in accordance with the provisions of Articles 3 to 5 above.

Article 7 The Audit Committee has established an Audit Working Group to serve as its executive body, specifically responsible for day-to-day communications and the organization of meetings. The members of the Audit Working Group are appointed by the Audit Committee.

Chapter 3 Duties and Authorities

Article 8 The main duties and authorities of the Audit Committee are as follows:

(I) to propose the appointment or replacement of an external audit firm;

(II) to supervise and guide the establishment and implementation of the Company's internal audit system;

(III) to serve as the liaison between the Company's internal and external auditors;

(IV) to review the financial information of the Company and its disclosure;

(V) to review and evaluate the Company's internal control system;

(VI) to issue a special opinion following an inspection and evaluation of the Company's internal control system in accordance with the relevant listing rules;

(VII) to oversee, guide, and monitor the establishment and implementation of the Company's anti-corruption and anti-bribery policies; to monitor and evaluate the internal audit department's handling of inquiries, complaints, and reports from employees and external parties regarding the authenticity, accuracy, and completeness of financial information;

(VIII) to exercise the powers of the supervisory committee as provided for in the Company Law;

(IX) other matters authorized by the Board of Directors.

Article 9 The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external audit work and internal control. The following matters shall be submitted to the Board of Directors for consideration upon the consent of more than half of all members of the Audit Committee:

(I) disclosure of financial information in the financial accounting report and periodic report, and the internal control evaluation report;

(II) engagement or removal of accounting firm that provides audit services for the Company;

(III) appointment or dismissal of the chief financial officer;

(IV) changes in accounting policies and estimates or correction of significant accounting errors for reasons other than changes in accounting standards;

(V) other matters prescribed by laws, administrative regulations, CSRC regulations and the Articles of Association of the Company.

Article 10 The Audit Committee shall be accountable to the Board of Directors. Its proposals shall be submitted to the Board of Directors for deliberation and decision.

Article 11 The Company shall provide the Audit Committee with the necessary working conditions and designate dedicated personnel or a dedicated department to handle the Audit Committee's day-to-day operations, including communication, meeting organization, preparation of materials, and recordkeeping. When the Audit Committee performs its duties, the Company's management and relevant departments of the Company shall cooperate.

When the Audit Committee deems it necessary, it may hire an intermediary agency to provide professional advice at the Company's expense.

Article 12 The Audit Committee shall review the Company's financial accounting reports, and provide opinions on the authenticity, accuracy and completeness of the reports, focusing on major accounting and auditing issues in the financial accounting reports, particularly on whether there are fraud, misconduct or the possibility of significant misstatements related to the financial accounting reports, and supervise the rectification of issues in the financial accounting reports. In the cases involving financial fraud, material accounting errors, or similar issues, the Audit Committee shall, prior to making a resolution, require the Company to correct the relevant financial data. The matter shall not be submitted to the Board of Directors for consideration until the corrections have been completed, or the Audit Committee shall cast a dissenting or abstaining vote during the Board's deliberations. The Audit Committee shall file with the stock exchange a report on its review of the financial information contained in the financial and accounting reports and periodic reports, as well as the internal control evaluation report.

The Audit Committee shall submit recommendations to the Board of Directors regarding the appointment or replacement of external auditing firms and review the auditing fees and engagement contracts of external auditing firms, free from any improper influences from the major Shareholders, actual controllers, Directors, or senior management officers of the Company.

The Audit Committee shall urge the external auditor to be honest and trustworthy, diligent and responsible, strictly abide by business rules and industry self-regulatory norms, strictly implement internal control systems, verify and validate the Company's financial and accounting reports, fulfill the special duty of care, and prudently express professional opinions.

Article 13 The Company shall disclose the annual performance of the Audit Committee in the annual report, mainly including the performance of its duties and the convening of meetings of the Audit Committee.

If the Audit Committee proposes to the Board for deliberation on a matter within the scope of its duties and the Board fails to adopt the proposal, the Company shall disclose the matter and fully explain the reasons.

Chapter 4 Working Procedures

Article 14 The Audit Working Group, established under the Audit Committee, is responsible for preparing the groundwork for the Audit Committee's decision-making and for collecting and providing information related to audits:

(I) the relevant financial reports and financial information of the Company;

(II) the work reports of the internal auditor and external auditor;

(III) the external audit contracts and the relevant work reports;

(IV) the external disclosure of the Company;

(V) the audit reports on the major related transactions of the Company;

(VI) other relevant matters.

Article 15 The Audit Committee shall review the reports provided by the Audit Working Group and submit the relevant written resolution materials or proposals to the Board of Directors for discussion:

(I) the evaluation on the performance of the external auditor, and the appointment and replacement of the external auditor;

(II) the appropriateness of the accounting policies adopted by the Company and whether they comply with applicable laws, regulations, and rules;

(III) whether the internal audit system of the Company has been effectively implemented, and whether the financial reports of the Company are true and complete;

(IV) whether the financial reports and other information disclosed by the Company are objective and accurate, and whether major matters such as major related transactions, the use of proceeds raised, major investments, and external guarantees comply with the relevant laws, regulations, and rules;

(V) the evaluation on the performance of the Company's financial department and the Audit Department (including its head);

(VI) other relevant matters.

Chapter 5 Rules of Procedures

Article 16 The Audit Committee shall convene at least one meeting every quarter; it may hold extraordinary meetings at the request of two or more members, or when the convener deems it necessary. A meeting of the Audit Committee may be held only when at least two-thirds of the members are present.

Article 17 The Audit Committee meeting shall be convened and chaired by the Chairperson. If the convener is unable to attend, he or she may delegate another member (an Independent Director) to chair the meeting. If the convener fails to perform his or her duties, at least half of the members shall jointly elect a member to be responsible for convening and chairing the meeting.

Article 18 When convening a meeting of the Audit Committee, all members shall be notified of the time, location, and agenda items at least three days prior to the meeting.

Article 19 Each member of the Audit Committee shall have one vote. The meeting resolutions shall be adopted by more than half of all the members.

Article 20 Voting at meetings of the Audit Committee may be conducted by a show of hands or by ballot. Meetings of the Audit Committee may be held by voting through correspondence.

Article 21 The Audit Committee may, when necessary, invite the Directors, senior management officers, and other audit staff members who are not members of the Audit Committee to attend its meetings as observers.

Article 22 If necessary, the Audit Committee may engage professional intermediaries to provide professional opinions, with the cost borne by the Company.

Article 23 When the Audit Committee discusses matters involving a conflict of interest for a committee member, the interested member shall recuse himself/herself. A meeting of the Audit Committee may be held if a majority of its disinterested members are present, and resolutions adopted at such meetings shall be approved by a majority of the disinterested members present. If the number of disinterested members present is less than one-half of the total number of disinterested members of the Audit Committee, the matter shall be submitted to the Board of Directors for consideration.

Article 24 The procedures for convening meetings of the Audit Committee, the methods of voting, and the resolutions adopted at such meetings shall comply with the relevant laws, regulations, the Company's Articles of Association, and these Terms of Reference.

Article 25 The Audit Committee meeting shall have meeting minutes, which shall be signed by the members attending the meeting and shall be maintained by the Board Secretary.

Article 26 The resolutions adopted by the Audit Committee meeting and voting results shall be reported to the Board in written form.

Article 27 All members and relevant personnel attending the meeting are bound by a duty of confidentiality regarding the matters discussed at the meeting. They shall not disclose any related information to any person without authorization until such matters have been reviewed and approved by the Shareholders' Meeting or the Board of Directors and publicly disclosed, except where required by law or by a mandatory order from a competent authority.

Chapter 6 Supplementary Provisions

Article 28 These Terms of Reference shall take effect upon approval by the Board of Directors.

Article 29 Unless otherwise specified, the term "at least" in these Terms of Reference includes the number itself, while the terms "more than" and "less than" exclude the number itself.

Article 30 Any matters not covered by these Terms of Reference shall be handled in accordance with relevant national laws, regulations, normative documents, and the Company's Articles of Association. In the event of any inconsistency between these Terms of Reference and the relevant provisions of the relevant laws, regulations, normative documents, or the Company's Articles of Association, the relevant provisions of relevant laws, regulations, normative documents, and the Company's Articles of Association shall prevail. If these Terms of Reference conflict with any laws, regulations, or normative documents promulgated by the state in the future, or with the Articles of Association as amended through lawful procedures, the provisions of the relevant laws, regulations, normative documents, and Articles of Association shall prevail, and these Terms of Reference shall be amended immediately and submitted to the Board of Directors for review and approval.

Article 31 The right to interpret these Terms of Reference shall reside with the Board.

SG Micro Corp
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