Transsion

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

(Applicable upon the Issuance and Listing of H Shares)

Chapter I General Provisions

Article 1 In order to enhance the decision-making functions of the board of directors, conduct ex-ante audit and professional audit, ensure effective supervision over the management by the board of directors and improve the corporate governance structure, the Company hereby establishes the Audit Committee of the board of directors and formulates these terms of reference in accordance with the Company Law of the People's Republic of China, the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》), the Guideline No. 1 for the Self-regulatory Rules for Companies Listed on the STAR Market of the Shanghai Stock Exchange — Standardized Operation (《上海證券交易所科創板上市公司自律監管指引第 1 號－規範運作》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and other laws, regulations and normative documents, as well as relevant regulatory rules (hereinafter collectively referred to as the "securities regulatory rules of the place where the Company's shares are listed") of the securities regulatory authorities and stock exchanges of the place where the Company's shares are listed (hereinafter collectively referred to as the "securities regulatory authorities of the place where the Company's shares are listed"), the Articles of Association of Shenzhen Transsion Holdings Co., Ltd. (hereinafter referred to as the "Articles of Association"), and other relevant provisions.

Article 2 The Audit Committee of the board of directors is a specialized working body established by the board of directors pursuant to resolutions of the general meeting, and is primarily responsible for the communication, supervision and inspection of the internal and external audits of the Company.

Chapter II Composition

Article 3 The Audit Committee shall consist of three non-executive directors, with independent directors forming the majority. The convener of the Audit Committee shall be an independent director and an accounting professional who meets the qualification requirements for accounting or financial professionals of the audit committee stipulated by the stock exchange of the place where the Company's shares are listed (for the purpose of these terms of reference, the term "independent director(s)" shall have the same meaning as "independent non-executive director(s)" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and the same applies hereinafter).

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

Article 5 The Audit Committee shall have one chairperson (convener), who shall be an independent director member and responsible for presiding over the work of the committee. The chairperson of the committee shall be elected from among the members and subject to the approval of the board of directors.

Article 6 The term of office of the Audit Committee shall be consistent with that of the board of directors. A member may serve consecutive terms if re-elected upon the expiration of his/her term of office. If, during his/her term of office, a member ceases to be a director of the Company, or a member who is required to be an independent director no longer possesses the independence required by the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, such member shall automatically lose his/her qualification as a member, or if the resignation of an independent director will result in the proportion of independent directors in the Audit Committee not complying with the requirements under the securities regulatory rules of the place where the Company's shares are listed or these terms of reference, or results in a lack of an independent director with appropriate professional qualifications or appropriate accounting or related financial management expertise meeting the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the committee shall fill the vacancy in accordance with the provisions of Articles 3 to 5 above.

Article 7 An audit working group shall be established under the Audit Committee as its daily administrative body, responsible for routine work liaison, meeting organization and other related work.

Chapter III Duties and Authorities

Article 8 The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosure, as well as monitoring and evaluating internal and external audit work and internal controls. Its primary duties and authorities include:

(I) monitoring and evaluating the external audit work, and proposing the appointment or replacement of external audit firm;

(II) monitoring and evaluating the internal audit work, and being responsible for coordinating among the management, the internal audit department and external audit firm;

(III) reviewing the financial reports of the Company and expressing opinions thereon;

(IV) monitoring and evaluating the internal controls of the Company;

(V) being responsible for other matters as required by laws, regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, and as authorized by the board of directors.

The Audit Committee shall report to the board of directors on any measures it considers necessary to be taken or matters it considers necessary to be improved, and make recommendations thereon. At the same time, it shall exercise the powers and functions of the board of supervisors as stipulated by the Company Law.

Article 9 In monitoring and evaluating the work of the external audit firm, the Audit Committee shall perform the following duties:

(I) reviewing and monitoring the independence and professionalism of the external audit firm in accordance with applicable standards, with particular regard to the impact of non-audit services provided by the external audit firm on its independence;

(II) making recommendations to the board of directors on the appointment, reappointment and removal or replacement of the external audit firm, and addressing any issues relating to the resignation or dismissal of such auditor;

(III) reviewing the audit fees and terms of engagement of the external audit firm;

(IV) discussing and communicating with the external audit firm on the audit scope, audit plan, audit methodology and major issues identified during the audit;

(V) monitoring and evaluating whether the external audit firm has performed its duties with due diligence.

The Audit Committee shall hold at least one separate communication meeting with the external audit firm each year without the presence of the management. The secretary to the board of directors may attend the meeting. The Audit Committee shall urge the external audit firm to act in good faith and with due diligence, strictly abide by business rules and industry self-regulatory standards, strictly implement internal control systems, audit and verify the financial accounting reports of the Company, perform its special duty of care, and prudently express professional opinions.

Article 10 In guiding, monitoring and evaluating the internal audit work, the Audit Committee shall primarily perform the following duties:

(I) reviewing the annual internal audit work plan of the Company;

(II) supervising the implementation of the internal audit plan of the Company;

(III) reviewing internal audit work reports, evaluating the results of internal audit work and supervising the rectification of major issues;

(IV) guiding the effective operation of the internal audit department.

(V) reviewing the following arrangements established by the Company:

1. employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control, or other aspects;

2. the Audit Committee shall establish appropriate procedures to ensure that such improprieties are investigated and resolved fairly and independently.

(VI) reviewing the Company's financial controls, internal control systems and risk management systems;

(VII) discussing the risk management and internal control systems with management to ensure that management has discharged its duty to establish effective systems. The discussion should include whether the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function are adequate;

(VIII) on its own initiative or as delegated by the board of directors, considering major investigation findings on risk management and internal control matters and management's response to such findings;

(IX) where an internal audit function exists in the Company, ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

(X) reviewing the Company's financial and accounting policies and practices;

(XI) reviewing the management letter issued by the external auditor to management, any material queries raised by the auditor to management in respect of accounting records, financial accounts, or systems of control, and management's response;

(XII) ensuring that the board of directors provides a timely response to the issues raised in the external auditor's management letter to management;

(XIII) reporting to the board of directors on the matters set out above and other matters set out in Code Provision D.3.3 of Appendix C1 to the Listing Rules of the Hong Kong Stock Exchange (and the provisions thereof as amended from time to time);

(XIV) considering other topics as defined by the board of directors.

The internal audit department of the Company shall report its work to the Audit Committee. Various audit reports, rectification plans for audit issues, and the status of rectification submitted by the internal audit department to management shall be submitted to the Audit Committee at the same time.

Article 11 In reviewing the Company's financial reports and expressing opinions thereon, the Audit Committee shall perform the following duties:

(I) reviewing the integrity of the Company's financial reports, annual report and accounts, half-year report, and (if intended to be published) quarterly reports, and reviewing material comments relating to financial reporting contained in the statements and reports;

(II) focusing on major accounting and auditing issues in the Company's financial reports, including adjustments for material accounting errors, changes in material accounting policies and estimates, matters involving significant accounting judgements, matters resulting in a non-standard unqualified audit report, compliance with accounting standards, and compliance with other securities regulatory rules of the place where the Company's shares are listed and legal requirements in relation to financial reporting;

(III) paying special attention to the possibility of fraud, fraudulent activities and material misstatements related to financial reporting;

(IV) supervising the rectification of financial reporting issues.

In relation to the above, members of the Audit Committee shall liaise with the board of directors and senior management of the Company. The committee shall meet with the external audit firm of the Company at least twice a year. In addition, the Audit Committee shall consider any significant or unusual items that are reflected, or may need to be reflected, in such reports and accounts, and shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance department or external audit firm.

Article 12 In monitoring and evaluating the internal control of the Company, the Audit Committee shall perform the following duties:

(I) evaluating the appropriateness of the design of the Company's internal control system;

(II) reviewing the internal control self-evaluation report;

(III) reviewing the internal control audit report issued by the external audit firm, and communicating with the external audit firm regarding identified issues and methods for improvement;

(IV) evaluating the results of internal control evaluation and audit, and supervising the rectification of internal control deficiencies.

Article 13 In coordinating communications among management, the internal audit department, relevant departments and the external audit firm, the Audit Committee shall perform the following duties:

(I) coordinating communications between management and the external audit firm regarding material audit issues;

(II) coordinating communications between the internal audit department and the external audit firm, as well as cooperations with the external audit work.

Article 14 The Audit Committee shall be accountable to the board of directors and report its work to the board of directors. Proposals of the committee shall be submitted to the board of directors for consideration and decision. The following matters shall be submitted to the board of directors for consideration only after being approved by more than half of all members of the Audit Committee:

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

(II) appointment or dismissal of the accounting firm undertaking the audit business of the Company;

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

(IV) changes in accounting policies or accounting estimates, or corrections of material accounting errors for reasons other than changes in accounting standards;

(V) other matters prescribed by laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association.

Chapter IV Decision-making Procedures

Article 15 The audit working group shall be responsible for undertaking the preparatory work for the decision-making of the Audit Committee, and providing written materials regarding relevant aspects of the Company:

(I) relevant financial reports of the Company;

(II) work reports of internal and external audit firms;

(III) external audit contracts and relevant work reports;

(IV) information on the Company's external disclosures;

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

(VI) other relevant matters.

Article 16 The Audit Committee shall, at its meetings, review the reports provided by the audit working group and submit relevant written resolution materials to the board of directors for discussion:

(I) evaluation of the work of the external audit firm, as well as the appointment and replacement of the external audit firm;

(II) whether the internal audit system of the Company has been effectively implemented, and whether the financial reports of the Company are comprehensive and truthful;

(III) whether information such as financial reports publicly disclosed by the Company is objective and truthful, and whether major related party (connected) transactions of the Company comply with relevant laws, regulations and the securities regulatory rules of the place where the Company's shares are listed;

(IV) evaluation of the work of the Company's internal finance department, audit department and the persons in charge of such departments;

(V) other relevant matters.

Chapter V Rules of Procedure

Article 17 Meetings of the Audit Committee are divided into regular meetings and extraordinary meetings. Regular meetings shall be held at least four times a year, once every quarter. An extraordinary meeting may be convened when proposed by two or more members, or when deemed necessary by the convener. All members shall be notified three days prior to the meeting. The meeting notice may be given by personal delivery, mail, email, fax, telephone, SMS, WeChat or other means; provided that in special circumstances, immediate notice shall be given and the meeting shall be held in a timely manner. Members of the Audit Committee of the board of directors of the Company shall attend meetings of the Audit Committee in person and express clear opinions on the matters under deliberation. If a member is genuinely unable to attend a meeting in person, he/she may submit a proxy form signed by the member to appoint another member to attend and express opinions on his/her behalf. The proxy form shall specify the scope and duration of authorization. Each member may accept a proxy from no more than one member. If an independent director member is genuinely unable to attend in person, he/she shall appoint another independent director member to attend on his/her behalf. Meetings shall be chaired by the chairperson of the committee. If the chairperson of the committee is unable to attend, he/she may delegate another member (an independent director) to chair the meeting.

Article 18 Meetings of the Audit Committee shall be held only when attended by two-thirds or more of the members. Each member shall have one vote. Resolutions passed at a meeting must be approved by more than half of all members. If a member of the Audit Committee has an interest in a matter discussed at a meeting, he/she shall abstain from voting. Where no valid opinion on the matter can be formed due to such abstention, the relevant matter shall be submitted directly to the board of directors for consideration.

Article 19 Voting at meetings of the Audit Committee shall be conducted by a show of hands or by poll. Meetings may also be held by means of voting by communication.

Article 20 The head of the audit working group may attend meetings of the Audit Committee as an observer. When necessary, other directors and senior management of the Company may also be invited to attend the meetings as observers.

Article 21 If necessary, the Audit Committee may engage intermediaries to provide professional advice for its decision-making, at the expense of the Company.

Article 22 The procedures for convening meetings of the Audit Committee, the voting methods, and the resolutions passed at the meetings must comply with the provisions of relevant laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association, and these terms of reference.

Article 23 Minutes shall be taken for meetings of the Audit Committee. Draft and final versions of minutes of the meetings shall be sent to all members of the committee for their comments and records, respectively, within a reasonable time after the meeting. Members attending the meeting shall sign the minutes. The minutes of meetings shall be kept by the secretary to the board of directors of the Company.

Article 24 Resolutions passed and voting results at meetings of the Audit Committee shall be reported in writing to the board of directors of the Company.

Article 25 All members attending the meetings shall owe a duty of confidentiality with respect to the matters discussed at the meetings and shall not disclose relevant information without authorization.

Chapter VI Supplementary Provisions

Article 26 These terms of reference shall take effect and be implemented upon their approval by the board of directors of the Company and from the date on which the overseas-listed shares (H Shares) issued by the Company are listed on the main board of the Hong Kong Stock Exchange. Upon the implementation of these terms of reference, the Company's original Terms of Reference of the Audit Committee of the Board of Directors shall automatically cease to have effect.

Article 27 Matters not covered by these terms of reference shall be handled in accordance with the provisions of relevant national laws, regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association. In the event of any conflict between these terms of reference and any national laws or regulations promulgated in the future, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association as amended through lawful procedures, the relevant national laws, regulations, the 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 amended immediately and submitted to the board of directors for consideration and approval.

Article 28 Unless otherwise required by these terms of reference, the meanings of the terms used herein shall be the same as those of the terms used in the Articles of Association.

Article 29 The board of directors of the Company shall be responsible for the interpretation of these terms of reference.