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Universal Scientific Industrial (Shanghai) Co., Ltd.

Rules of Procedures of Audit Committee of the Board of Directors

Chapter I General Provisions

- Article 1 To strengthen the decision-making function of the Board of Directors of Universal Scientific Industrial (Shanghai) Co., Ltd. (hereinafter referred to as "the Company"), achieve prior audit and professional audit, ensure the effective supervision of the Board of Directors on the managers, and improve the corporate governance structure, the Company hereby establishes the Audit Committee of the Board of Directors and formulates its Rules of Procedures in accordance with the Company Law of the People's Republic of China, Code of Corporate Governance for Listed Companies, Guidelines on the Operation of Audit Committees of Companies Listed on Shanghai Stock Exchange, and the Articles of Association of Universal Scientific Industrial (Shanghai) Co., Ltd. (hereinafter referred to as the Articles of Association).
- Article 2 The Audit Committee, an organization established under the Board of Directors in accordance with relevant resolutions, is mainly in charge of the communication with and oversight of internal and external auditors, and accountable to the Board of Directors.
- Article 3 The term "senior management" as mentioned in these rules refers to the General Manager, Deputy General Manager, Secretary of the Board of Directors, Chief Financial Officer and directors of the divisions appointed by the Board of Directors.

Chapter II Composition

- Article 4 Audit Committee shall be composed of five directors, of which more than half shall be independent directors, and all members of the committee shall have professional knowledge and business experience that enable them to perform the duties of the Audit Committee, and at least one of the independent directors shall be a professional accountant.
- Article 5 The members of the Audit Committee shall be nominated by the Chairman of the



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Board, more than one half of the independent directors or more than one-third of all the directors, and shall be elected by the Board of Directors.

- Article 6 The Audit Committee shall have a convener, who shall be an independent director and shall be responsible for presiding over the work of the Committee; the convener shall have professional experience in accounting or financial management, be elected from the members, and report to the Board of Directors for approval.
- Article 7 The Company shall gather the members of the Audit Committee to participate in relevant training to timely inform them of the professional knowledge in legal, accounting and regulatory norms required for the performance of their duties.
- Article 8 The Board of Directors of the Company shall regularly evaluate the independence and performance of duties of the members of the Audit Committee, and may replace the members who are not eligible for continuing to serve as members if necessary.
- Article 9 The Audit Committee's term of office shall be the same as that of the Board of Directors. Upon expiration of their term of office, the members may be re-elected. During this period, any member who ceases to hold the post of director of the Company shall automatically lose his or her qualification as a member, and the Committee shall make up the number of members in accordance with the provisions of Articles 4 to 6 above.
- Article 10 The Audit Office, set up under the Audit Committee as its executive office, shall be responsible for daily communication and meeting organization. Within the scope of authorization of the Audit Committee, the Audit Office shall exercise the internal audit supervision right, inspect the accounts and related assets according to relevant laws, supervises and evaluates the authenticity, legality and effectiveness of financial revenue and expenditure, analyzes the Company's financial operations and asset utilization, and ensures the authenticity and integrity of the Company's assets.

Chapter III Roles and Responsibilities

- Article 11 The audit committee has the following responsibilities:
- (1) To supervise and evaluate the work of the external auditor;



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- (2) To guide the internal audit;
- (3) To review and comment on the Company's financial statements;
- (4) To evaluate the effectiveness of internal control;
- (5) To coordinate the communication between management, internal audit department and the external auditor;
- (6) Other matters authorized by the Board of Directors of the Company and other matters involved in relevant laws and regulations.

Article 12 The responsibilities of the Audit Committee to supervise and evaluate the work of the external auditor include, but are not limited to, the following:

- (1) To assess the independence and professionalism of the external auditor, especially the impact of the external auditor's provision of non-audit services on its independence;
- (2) To propose to the Board of Directors the appointment or replacement of an external auditor;
- (3) To assess the audit fees and terms of appointment for the external auditor;
- (4) To discuss the audit scope, plan, methods and major matters discovered in the audit process with the external auditor;
- (5) To oversee and evaluate the diligence of the external auditor.

The Audit Committee shall hold a at least one meeting with the external auditor without the participation of management each year. The Secretary of the Board of Directors may sit in on the meeting.

Article 13 The responsibilities of the Audit Committee for guiding the internal audit work include, but are not limited to, the following:

- (1) To review the annual internal audit work plan of the Company;
- (2) To oversee the implementation of the internal audit plan of the Company;
- (3) To review the internal audit report, evaluate the internal audit performance, and urge the rectification of major problems;
- (4) To offer guidance to the internal audit department on effective operation.

The internal audit department of the Company shall report to the Audit Committee.



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The auditors shall submit regular audit reports to the Audit Committee, and the audit reports shall clearly present significant problems, conclusions, opinions and advice resulted from the audit process.

Article 14 The Audit Committee's responsibilities to review and comment on the Company's financial reports include, but are not limited to, the following:

- (1) To review the Company's financial reports, and comment on the authenticity, integrity and accuracy of the financial reports;
- (2) To watch for major accounting and auditing problems in the Company's financial reports, including major accounting error correction, major changes in accounting policies and estimates, matters involving important accounting judgments, and matters leading to non-standard unqualified audit reports, etc.
- (3) To pay attention to potential fraud, malpractice and material misstatement related to financial reports;
- (4) To oversee the rectification of financial reporting problems.

Article 15 The responsibilities of the Audit Committee to assess the effectiveness of internal controls include, but are not limited to, the following:

- (1) To evaluate the adequacy of internal control system design;
- (2) To review internal control self-evaluation report;
- (3) To review the internal control audit report issued by the external auditor, and communicate with the external auditor on the problems found in the process and the improvement methods;
- (4) To evaluate internal control and audit results, and urge the rectification of internal control defects.

Article 16 To coordinate the communication between management, internal audit department and the external auditor;

- (1) The Audit Committee's responsibilities to coordinate the communication between management and the external auditor on major audit issues include, but are not limited to, the following:
- (2) To coordinate the communication between internal audit department and



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external auditor, and the collaboration with the external auditor.

- Article 17 The Audit Committee shall be accountable to the Board of Directors, and shall submit proposals to the Board of Directors for deliberation and decision. The Audit Committee shall cooperate with the Board of Supervisors on the audit of supervisors.
- Article 18 The Audit Committee shall report to the Board of Directors and make recommendations on the measures deemed necessary or on matters where improvements are necessary.
- Article 19 If the Audit Committee deems it necessary, it may employ an intermediary to provide professional opinions, and the relevant expenses shall be borne by the Company.
- Article 20 When the Company appoints or replaces an external auditor, the Board of Directors may consider relevant proposals only after the Audit Committee has formed opinions after deliberation and put forward suggestions to the Board of Directors.

Chapter IV Decision-making procedures

- Article 21 The audit Office under the Audit Committee shall be responsible for making preliminary preparations for the Audit Committee's decision-making and providing relevant information of the Company:
- (1) Relevant financial reports of the company;
 - (2) Work reports of internal and external auditors;
 - (3) External audit contract and related work report;
 - (4) Information disclosed by the Company;
 - (5) Audit report on major related party transactions of the Company;
 - (6) Other related matters.
- Article 22 The Audit Committee shall hold a meeting, prepare written opinions and submit to the Board of Directors for discussion the materials regarding:
- (1) The evaluation of the external auditor's work, and the appointment and replacement of the external auditor;



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- (2) Whether the internal audit system of the Company has been effectively implemented, and whether the financial report of the Company is complete and true;
- (3) Whether the financial reports and other information disclosed by the Company are objective and true, and whether the major related party transactions of the Company conform to relevant laws and regulations;
- (4) The evaluation of the work of the financial department and audit department of the Company, including head of the departments;
- (5) Other related matters.

Chapter V Procedural Rules

Article 23 Audit Committee holds regular and ad hoc meetings.

The Audit Committee shall hold at least four regular meetings a year.

The convening of a regular meeting of the Committee shall be notified to all members by telephone, fax, mail, e-mail or direct delivery five days in advance. The meeting shall be convened and presided over by the convener of the Audit Committee. If the convener of the Audit Committee fails or refuses to perform his duties, he or she shall appoint an independent director to perform the duties on his or her behalf.

Article 24 Members of the Committee may propose to convene an ad hoc meeting if:

- (1) The senior management of the company violates the laws, regulations and the Articles of Association, seriously damaging the interests of the Company, shareholders or clients;
- (2) The Committee believes it is necessary to employ Certified Public Accountants, Certified Public Valuers and lawyers to give professional opinions on major matters;
- (3) Two or more members of the Audit Committee propose or the convener of the Audit Committee deems it necessary to hold the ad hoc meeting.

The convening of an ad hoc meeting of the Committee shall be notified to all members



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three days in advance. In case of emergency, if the Committee needs to convene a meeting as soon as possible, the notice of the meeting may be sent by telephone, fax or e-mail at any time, but the convener shall make an explanation at the meeting.

The meeting shall be convened and presided over by the convener of the Audit Committee. If the convener of the Audit Committee fails or refuses to perform his duties, he or she shall appoint an independent director to perform the duties on his or her behalf.

- Article 25 The meeting of the Audit Committee shall be held only in the presence of more than two thirds of the members; each member shall have one vote; the deliberation results by the Audit Committee to be submitted to the Board of Directors must be approved by a majority of all the members. If the Audit Committee can not form effective deliberation opinions due to the abstention of some members, the relevant matters shall be directly deliberated by the Board of Directors.
- Article 26 Audit Committee shall vote by means of show of hands, on-site voting or electronic voting on the meeting.
- Article 27 The members of the Audit Committee shall be present in person and express their opinions clearly on the matters under consideration. If a member is unable to attend the meeting in person for some reason, he or she may submit a power of attorney signed by the member to entrust another member to attend the meeting and express opinions on his or her behalf. The power of attorney shall specify the scope and term of authorization. Each member shall be entrusted by no more than one member. If an independent director is unable to attend the meeting in person for some reason, he or she shall entrust another independent director to attend the meeting on his or her behalf.
- Article 28 The members of the audit Office under the Company may sit in on the meeting of the Audit Committee, and may invite the directors, supervisors, auditors, financial personnel and senior management of the Company, representatives of the external auditor, legal advisers and other relevant personnel to attend the Audit Committee meeting and provide necessary information when necessary.
- Article 29 If necessary, the Audit Committee may appoint an intermediary to provide professional



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advice to its decision-making at the Company's expense.

- Article 30 The convening procedures, voting method and deliberation opinions adopted by the meeting of the Audit Committee must comply with the provisions of relevant laws, administrative regulations, rules, Articles of Association, and the Rules of Procedures of the Audit Committee.
- Article 31 The meeting of the Audit Committee shall be recorded, and the members and others present at the meeting shall sign the minutes; the minutes shall be kept by the Secretary of the Board of Directors for no less than ten years.
- Article 32 The opinions adopted by the meeting of the Audit Committee after deliberation shall be submitted to the Board of Directors of the Company in the form of writing.
- Article 33 All attendees present at the meeting shall have the obligation to keep confidential the issues discussed at the meeting and shall not disclose relevant information without authorization.
- Article 34 Any member of the Audit Committee who has an interest in the matters discussed at the meeting shall abstain from the meeting.

Chapter VI Information Disclosure

- Article 35 The Company shall disclose the members of the Audit Committee, including its composition, the members' professional background and work experience within five years, as well as the changes in the members of the Audit Committee.
- Article 36 The Company shall disclose the annual performance of the Audit Committee on the website of Shanghai Stock Exchange along with the annual report, including the Audit Committee's fulfilment of its duties and the convening of the Audit Committee meeting.
- Article 37 Where the major problems found by the Audit Committee in the performance of its duties meet the criteria of the information disclosure stipulated in the *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*, the Company shall timely disclose such matters and the rectification of the matters.



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Article 38 The Audit Committee shall submit its opinions after deliberation to the Board of Directors on matters within the scope of its duties. If the Board of Directors decides not to adopt the opinions, the Company shall disclose the matters and explain the reasons in detail.

Article 39 The Company shall disclose the special opinions issued by the Audit Committee on major matters of the listed company in accordance with the provisions of laws, administrative regulations, departmental rules, *Rules Governing the Listing of Stocks on Shanghai Stock Exchange* and relevant documents.

Chapter VII Supplementary Provisions

Article 40 These working rules shall come into force from the date of their adoption through the resolution of the Board of Directors.

Article 41 Matters not covered in the Rules of Procedures shall be subject to the provisions of relevant national laws, administrative regulations and rules, and the Articles of Association; in case of any conflict between the Rules of Procedures and the laws, administrative regulations, rules promulgated by the authority in the future or the Articles of Association amended through legal procedures, the provisions of relevant national laws, administrative regulations, rules and the Articles of Association shall prevail, and the Rules of Procedures shall be amended immediately and submitted to the Board of Directors for deliberation and approval.

Article 42 The interpretation right of these working rules resides with the Board of Directors of the Company.

Board of Directors of Universal Scientific
Industrial (Shanghai) Co., Ltd.

April 6, 2020