

DAHON TECH (SHENZHEN) CO., LTD.

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

Chapter 1 General Provisions

Clause 1 In order to strengthen the decision-making function of the board (the “**Board**”) of directors (the “**Directors**”) of DAHON TECH (SHENZHEN) CO., LTD. (hereinafter referred to as the “**Company**”), carry out prior audits and professional audits, ensure the effective supervision of the management by the Board, and improve the corporate governance structure, the Company has established the audit committee of the Board (the “**Audit Committee**” or the “**Committee**”) and formulated these terms of reference in accordance with the Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies, Measures for the Administration of Independent Directors of Listed Companies, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “**Hong Kong Listing Rules**”) and other laws and regulations and the relevant provisions of the Articles of Association of the Company.

Clause 2 The Audit Committee is a dedicated working body established by the Board, which is mainly responsible for the communication, supervision and verification of internal and external audits of the Company.

The Audit Committee shall be accountable to the Board, and the Committee’s proposals shall be submitted to the Board for consideration and approval.

Supervisors shall supervise the implementation of the Audit Committee and check whether its members perform their duties in accordance with these rules of procedure.

Chapter 2 Composition

Clause 3 The Audit Committee shall be composed of at least three Directors who are not senior management of the Company, and the number of members shall be in odd number. All Committee members must be non-executive Directors, and the majority of whom must be independent non-executive Directors, with at least one of these independent non-executive Directors having appropriate professional qualifications or accounting or related financial management expertise as required by the Hong Kong Listing Rules.

Clause 4 The members of the Audit Committee shall be nominated by either the chairman of the Board, more than 1/2 of the independent non-executive Directors, or more than 1/3 of all Directors, and shall be elected by the Board.

A partner of the Company's current external auditor shall not serve as a member of the Audit Committee within two years from the date on which he ceases to be a partner of the audit institution or ceases to enjoy the financial benefits of the current external auditor (whichever is later).

Clause 5 The Audit Committee shall have one convenor, who shall be an independent non-executive Director with appropriate accounting or related financial management expertise, who shall be responsible for convening and presiding over the work of the Committee. The convenor is elected from among the Committee members.

Clause 6 The term of office of the Audit Committee shall be the same as that of the Board, and members may be re-elected upon the expiration of their term. If a member ceases to be a Director or is no longer fit to be a Committee member (e.g. a member who should have the status of an independent non-executive Director no longer meets the independence requirements of the Hong Kong Listing Rules), his qualification as a Committee member will be revoked automatically and the position so vacated shall be filled by the Committee according to the provisions of Clauses 3 to 5 above.

Clause 7 The Audit Committee shall establish an internal audit department as its day-to-day office, responsible for daily work-related liaison and meeting preparation. The internal audit department shall be accountable to the Audit Committee and shall report to it.

Chapter 3 Duties and Authority

Clause 8 The Audit Committee shall have the following duties:

- (1) It is primarily responsible for advising the Board on the appointment, re-appointment and removal of external auditor, approving the remuneration and terms of appointment of external auditor, and handling any issues relating to the resignation or dismissal of the 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 shall discuss with the auditor the nature and scope of the audit and the relevant reporting duties before the audit work begins;
- (3) To formulate and implement policies for the provision of non-audit services by external auditors. For the purposes of this provision, "external auditor" includes any body under the same control, ownership or management as the audited company, or any body whom a third party reasonably knows all relevant information and which could reasonably conclude that the institution is part of the local or international business of the audited company. The Audit Committee shall report and make recommendations to the Board on any matters that require action or improvement;

- (4) To monitor the integrity of the Company's financial statements, annual reports and accounts, half-yearly reports and quarterly reports (if to be published), and to review the material opinions on financial reporting contained in the statements and reports. Before submitting relevant statements and reports to the Board, the Committee shall review the following matters, in particular:
1. Any changes in accounting policies and practices;
 2. Areas involving important judgments;
 3. Major adjustments due to audits;
 4. Assumptions of going concern and any qualified opinion;
 5. Whether in compliance with accounting standards;
 6. Whether in compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting;
- (5) For the purpose of item (4) above:
1. Audit Committee members should liaise with the Board and senior management. The Audit Committee shall meet with the Company's auditors at least twice a year;
 2. The Audit Committee shall consider any material or unusual matters reflected or required to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff, supervisory officers or auditors;
- (6) To review the Company's financial controls, as well as the Company's risk management and internal control systems;
- (7) To discuss risk management and internal control systems with management to ensure that management has fulfilled its responsibilities and established effective systems. The discussion should include the adequacy of the Company's resources, staff qualifications and experience in accounting and financial reporting functions, as well as the adequacy of training courses and budgets received by employees;
- (8) To conduct research on important findings on risk management and internal control matters and management's response to the findings, either on its own initiative or as directed by the Board;
- (9) To ensure that the work of internal and external auditors is coordinated; It is also necessary to ensure that the internal audit function to have adequate resources and is appropriately positioned within the Company; and to review and monitor their effectiveness;

- (10) To review the Group's financial and accounting policies and practices;
- (11) To inspect the external auditor's "Audit Statement Letter" to management, the auditor's accounting records, financial accounts or monitoring system to any material questions raised to management and management's response;
- (12) To ensure the Board will respond in a timely manner to the matters raised in the "Audit Statement Letter" from the external auditor to management;
- (13) To report to the Board on matters relating to the code provisions under Appendix C1 Corporate Governance Code to the Hong Kong Listing Rules;
- (14) To study other items as defined by the Board;
- (15) To review the following arrangements set by the Company: Employees of the Company may secretly raise concerns about possible misconduct in financial reporting, internal control or other aspects. The Audit Committee shall ensure that appropriate arrangements are in place for the Company to conduct fair and independent investigations and take appropriate actions on such matters; and
- (16) Serve as the main representative between the Company and the external auditor, and be responsible for supervising the relationship between these two parties.

Clause 9 The following matters shall be submitted to the Board for consideration after the approval by more than 1/2 of all members of the Audit Committee:

- (1) To disclose financial information and internal control evaluation reports in financial accounting reports and periodic reports;
- (2) To engage or dismiss the accountants who undertake the Company's audit work;
- (3) Appointment or dismissal of the Company's financial officer;
- (4) Changes in accounting policies, accounting estimates, or correction of major accounting errors due to reasons other than changes in accounting standards;
- (5) Other matters as stipulated by laws and regulations, regulatory rules for securities where the Company's shares are listed and the Articles of Association.

The Audit Committee shall report to the Board and make recommendations on measures or matters that it deems necessary to take or improve.

Clause 10 The internal audit department shall perform the following main duties:

- (1) To inspect and evaluate the completeness, rationality and effectiveness of the internal control systems of the Company's internal institutions, holding subsidiaries, and shareholding companies that have a significant impact on the Company;

- (2) To conduct audit on the accounting information and other relevant economic information of the Company's internal institutions, holding subsidiaries, and shareholding companies that have a significant impact on the Company, as well as the legality, compliance, authenticity, and completeness of the financial income and expenditure and related economic activities reflected, including but not limited to financial reports, performance reports, and voluntarily disclosed forecast financial information;
- (3) To inspect the Company's compliance with laws and regulations, including supervision and management of business ethics and corruption issues. Assist in establishing and improving anti-fraud mechanisms, determine key areas, key links and main contents of anti-fraud, and pay reasonable attention to and check possible fraud behaviors during the internal audit process;
- (4) To report to the Board or the Audit Committee at least once a quarter, including but not limited to, the implementation of the internal audit plan and problems found in the internal audit work.

The internal audit department shall report to the Board or the Audit Committee at least once a quarter on the internal audit work and problems found, and submit an internal audit report at least once a year. The internal audit department shall urge the relevant responsible departments to formulate rectification measures and rectification time for internal control deficiencies found during the review process, conduct follow-up reviews of internal control, and supervise the implementation of rectification measures. If the internal audit department finds major deficiencies or major risks in internal control during the review process, it shall report to the Board or Audit Committee in a timely manner.

Clause 11 When supervising and evaluating the work of the internal audit department, the Audit Committee shall perform the following main duties:

- (1) To guide and supervise the establishment and implementation of the internal audit system;
- (2) To review the Company's annual internal audit work plan;
- (3) To supervise the implementation of the Company's internal audit plan;
- (4) To guide the effective operation of the internal audit department. The internal audit department of the Company must report to the Audit Committee, and all kinds of audit reports submitted by the internal audit department to the management, the rectification plan of audit problems and the rectification status must be submitted to the Audit Committee at the same time;
- (5) To report to the Board on the progress, quality, and major problems found;

(6) To coordinate the relationship between the internal audit department and external audit units such as accounting firms and state audit institutions.

Clause 12 The Audit Committee shall supervise the internal audit department to conduct inspections on the following matters at least once every six months, issue an inspection report, and submit it to the Audit Committee. If the inspection finds that the Company has violations of laws and regulations, irregular operations, etc., it shall report to the Stock Exchange in a timely manner:

- (1) The implementation of major events such as the use of funds raised by the Company, the provision of guarantees, related (connected) transactions, securities investment and derivatives transactions, the provision of financial assistance, the purchase or sale of assets, and foreign investment;
- (2) The Company's large capital transactions and capital transactions with Directors, supervisors, senior management, controlling shareholders, actual controllers and their related parties.

The Audit Committee shall issue a written evaluation opinion on the effectiveness of the Company's internal control based on the internal audit report and relevant information submitted by the internal audit department, and report to the Board. If the Board or the Audit Committee believes that there are material deficiencies or major risks in the Company's internal control, the Board shall report to the Stock Exchange in a timely manner and disclose it. The Company shall disclose in an announcement the major deficiencies or major risks existing in internal control, the consequences that have been or may be caused, and the measures taken or planned to be taken.

Clause 13 The Company shall provide necessary working conditions for the Audit Committee, and assign special personnel or institutions to undertake the daily work of the Audit Committee, such as work liaison, meeting organisation, material preparation, and file management. When the Audit Committee performs its duties, the Company's management and relevant departments must cooperate and provide adequate resources for its work. If the Audit Committee deems it necessary, it may hire an intermediary agency to provide professional advice, and the relevant costs shall be borne by the Company.

Clause 14 The members of the Audit Committee shall be diligent and responsible, effectively supervise and evaluate the internal and external audit work of the Company, promote the establishment of effective internal control and provide true, accurate and complete financial reports.

Clause 15 The appointment or replacement of an external audit firm by the Company must be subject to the Audit Committee's review opinion and recommendation to the Board before the Board may consider the relevant proposal. The Audit Committee shall make recommendations to the Board regarding the appointment or replacement of an external audit firm and review the audit fees and terms of engagement of the external

audit firm. The Committee shall not be subject to undue influence from the Company's major shareholders, actual controllers, or Directors, supervisors, or senior management. The Audit Committee shall urge the external audit firm to be honest, trustworthy, diligent, and responsible, strictly abide by business rules and industry self-regulatory regulations, strictly implement internal control systems, exercise due diligence in verifying and certifying the Company's financial and accounting reports, and prudently issue professional opinions. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Clause 16 The Audit Committee shall review the Company's financial accounting reports, put forward opinions on the authenticity, accuracy and completeness of the financial accounting reports, focus on major accounting and auditing issues in the Company's financial accounting reports, pay special attention to the possibility of fraud, embezzlement and material misstatements related to financial accounting reports, and supervise the rectification of financial accounting report problems.

Clause 17 The Board or the Audit Committee shall issue an annual internal control evaluation report based on the evaluation report and relevant materials issued by the internal audit department. The internal control evaluation report shall include at least the following contents:

- (1) The statement of the Board on the authenticity of the internal control report;
- (2) The overall situation of internal control evaluation;
- (3) The basis, scope, procedures and methods of internal control evaluation;
- (4) Internal control deficiencies and their identification;
- (5) Rectification of internal control deficiencies in the previous year;
- (6) Rectification measures to be taken for internal control deficiencies this year;
- (7) Conclusions on the effectiveness of internal control.

Clause 18 The Company shall disclose the annual performance of the Audit Committee in the annual report, mainly including the specific performance of its duties and the convening of Audit Committee meetings. The Audit Committee shall submit its advice on review to the Board on matters within its scope of responsibility, and in case such advice not being adopted by the Board, the Company shall disclose the matter and fully explain the reasons.

Chapter 4 Decision-making Procedures

Clause 19 The internal audit department is responsible for making preliminary preparations for the decision-making of the Audit Committee and providing written information from relevant parties of the Company including:

- (1) The Company's relevant financial reports;
- (2) Work reports of internal and external audit institutions;
- (3) External audit contract and related work reports;
- (4) The Company's external disclosure of information;
- (5) Audit report on the Company's major related party (connected) transactions;
- (6) Any other related matters.

Clause 20 The Audit Committee shall review the report provided by the internal audit department at its meeting, and submit the relevant written resolution materials to the Board for discussion:

- (1) Evaluation of the work of external audit institutions, hiring and replacement of external audit institutions;
- (2) Whether the Company's internal audit system has been effectively implemented and whether the Company's financial reports are comprehensive and true;
- (3) Whether the Company's financial reports and other information disclosed to any external parties and the public are objective and true, and whether the Company's major related (connected) transactions comply with relevant laws and regulations;
- (4) The work evaluation of the Company's financial department and audit department, including their responsible persons;
- (5) Any other related matters.

Chapter 5 Rules of Procedure

Clause 21 The Audit Committee meeting may be divided into regular meetings and extraordinary meetings. Regular meetings shall be held at least once in a quarter and at least 2 meetings shall be held with the Company's auditors, and all these meetings shall be reported to the Board, including but not limited to the implementation of the internal audit plan and problems found in the internal audit work. The extraordinary meeting is proposed by the members of the Audit Committee and convened by half of the members. A three-day notice of such meeting shall be given to all Committee members, and if the

situation is urgent and it is necessary to convene a meeting of the Audit Committee as soon as possible, the meeting notice may be issued by telephone or other oral means at any time, but the convenor shall give an explanation at the meeting.

Such meeting shall be presided over by the convenor, and if the convenor is unable to attend, he may authorise another member (an independent non-executive Director) to preside over it.

Clause 22 A meeting of the Audit Committee shall be attended by more than 2/3 of members. Each member shall have one vote; A resolution put forward at the meeting must be passed by a majority of all members to be effective.

Clause 23 Voting at an Audit Committee meeting shall be by a show of hands, by poll or vote via communication.

Clause 24 Members of the internal audit department may attend the meetings of the Audit Committee as observers, and if necessary, Directors, supervisors, and other senior management of the Company may also be invited to attend meetings.

Clause 25 The procedures for convening a meeting of the Audit Committee, the voting method and any resolutions passed at a meeting must comply with the provisions of relevant laws, regulations, the Articles of Association and these terms of reference.

Clause 26 Minutes shall be taken in written form for meetings of the Audit Committee, which should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Minutes shall be signed by the members present at the meeting. Minutes of meetings shall be kept by the company secretary of the Company for a period of not less than ten years. Full minutes of the Audit Committee should be kept by a duly appointed Committee secretary (usually the company secretary). The first and final drafts of the minutes shall be sent to all members of the Committee within a reasonable period of time after a meeting, with the first draft to be used for the members to express their opinions, while the final draft shall be used for their records.

Clause 27 Resolutions passed by the Audit Committee and the voting results shall be reported to the Board of the Company in writing.

Clause 28 Members attending a meeting shall keep all matters discussed at the meeting confidential, and shall not disclose any relevant information without authorization.

Chapter 6 Supplementary Provisions

Clause 29 These terms of reference shall become effective and be implemented upon consideration and approval by the Board. Matters herein relating to H shares shall be implemented from the date on which H shares are issued by the Company and listed on The Stock Exchange of Hong Kong Limited.

Clause 30 Any matters not covered by these terms of reference shall be implemented in accordance with relevant national laws, regulations, regulatory rules on securities in the places where the Company's shares are listed, and the provisions of the Articles of Association. In case of any inconsistency between these terms of reference and any national laws, regulations, regulatory rules on securities in the places where the Company's shares are listed to be promulgated in the future or the Articles of Association as amended by legal procedures, they shall be implemented in accordance with the relevant national laws, regulations, regulatory rules on securities in the places where the Company's shares are listed, and the provisions of the Articles of Association, and shall be immediately revised and reported to the Board for consideration and approval.

Clause 31 The right to interpret these terms of reference belongs to the Board.

DAHON TECH (SHENZHEN) CO., LTD.

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