PATEO CONNECT Technology (Shanghai) Corporation

Terms of Reference and Rules of Procedure of the Audit Committee

1. Members

1.1 The audit committee (the "**Audit Committee**") should be appointed by the board of directors of the Company (the "**Board**") and it should comprise a minimum of three members.

1.2 The members should comprise non-executive directors only. The majority of the members must be independent non-executive directors of the Company, and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**").

1.3 The chairperson of the Audit Committee must be appointed by the Board and must be an independent non-executive director.

1.4 A former partner of the external auditor currently responsible for auditing the Company's accounts shall be prohibited from serving as a member of the Audit Committee of the Company before a period of two years has lapsed since the date on which he ceases: (1) to be a partner of the external auditor; or (2) to have any financial interest in the external auditor.

1.5 The term of office for a member of the Audit Committee shall be concurrent with the term of his/her directorship. A committee member may be re-elected for appointment upon the conclusion of his/her term of office. A committee member shall be automatically disqualified as such if during his/her term of office he/she ceases to be a director of the Company, and the Board shall make up the number of Committee members in accordance with these rules.

2. Secretary

2.1 The company secretary of the Company (the "**Company Secretary**") shall act as the secretary of the Audit Committee.

2.2 The Audit Committee may from time to time, appoint any other person with appropriate qualification and experience to act as the secretary of the Audit Committee.

3. Meetings

3.1 The Audit Committee should meet at least twice a year. The external auditors of the Company can call for a meeting if necessary.

3.2 Due notice should be given for any meeting, unless such notification is waived by all members of the Audit Committee. Notwithstanding the notification period, the attendance of the member of the Audit Committee at the meeting would be deemed to be treated as a waiver of the required notification requirement.

3.3 The quorum necessary for the transaction of business of the Strategy Committee shall be two members of the Audit Committee, one of which shall be an independent non-executive director.

3.4 Meeting can be attended in person or via electronic means including telephone or videoconferencing. The members of the Audit Committee can attend the meeting via telephone or any similar communication device (all persons attending such meeting should be able to hear from such member via such communication device).

3.5 Resolutions of the Audit Committee shall be passed by more than half of its members.

3.6 Resolutions passed and signed by all members of the Audit Committee are valid, as if they were passed in a meeting of the Audit Committee duly convened and held.

3.7 Full minutes of the Audit Committee meeting should be kept by the company secretary or the duly appointed secretary of the Audit Committee and be available for review by the directors. Minutes of such meetings shall be made available for inspection by any Director at all reasonable hours upon reasonable notice. The minutes shall record in sufficient detail the matters considered and decisions reached and shall include any concerns raised or objections expressed by the directors. Draft and final versions of minutes of the meeting should be sent to all members of the Audit Committee for their comment and records, within a reasonable time after the meeting.

4. Attendance

4.1 Meetings between the representative of the Company's external auditors and the Audit Committee shall be held at least twice a year without the attendance of any executive Directors except those invited by the Audit Committee.

4.2 Upon invitation from the Audit Committee, the following person may attend the meeting: (i) the head of internal auditor or in his/her absence, a representative of internal auditor; (ii) the senior financial manager (or equivalent); and (iii) other members of the Board.

4.3 Only the members of the Audit Committee can vote in the meeting.

5. Annual General Meeting

5.1 The chairman of the Audit Committee or in his or her absence, another member of the Audit Committee, who shall be an independent non-executive director, shall attend the annual general meetings of the Company and respond to the enquiry from the shareholders in respect of the activities of the Audit Committee and their responsibilities.

6. Duties and Powers

The Audit Committee is responsible for reviewing and supervising the financial reporting, risk management and internal control systems of the Company and assisting the Board in performing its audit duties. The Audit Committee shall have the following duties and powers:

6.1 Relationship with the External Auditor of the Company

6.1.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any issues of resignation or dismissal of such external auditor;

6.1.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

6.1.3 to develop and implement policies on engaging an external auditor to supply non-audit services. For this purpose, an external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that an informed third party reasonably knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;

6.1.4 to report to the Board, identifying and making recommendations on any matters where action or improvement is needed; and

6.2 Review of the Financial Information of the Company

6.2.1 to monitor the integrity of the Company's financial statements and the Company's annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant opinion on financial reporting set out therein. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:

(a) any changes in accounting policies and practices;

(b) areas that involved major judgments;

(c) significant adjustments resulting from the audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Listing Rules and legal requirements in relation to financial reporting; and

6.2.2 regarding the paragraph 6.2.1 above:

(a) members of the Audit Committee shall liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's external auditor; and

(b) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function or compliance officer or external auditors;

6.3 Oversight of the Company's financial reporting system, risk management and internal control systems

6.3.1 to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;

6.3.2 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to establish effective systems. Such discussion shall include the adequacy of resources, staff qualifications and experience, staff training programs and relevant budget of the Company's accounting and financial reporting function;

6.3.3 to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and management's response to these findings;

6.3.4 to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

6.3.5 to review the financial and accounting policies and practices of the Group;

6.3.6 to review the external auditor's management letter, any material queries raised by the external auditor to the management about accounting records, financial accounts or risk management or systems of control and the management's response;

6.3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

6.3.8 to act as the key representative body for overseeing the Company's relation with the external auditor;

6.3.9 to review arrangements where employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and

6.3.10 to report to the Board on the matters in the code provision under Appendix C1 to the Listing Rules;

6.3.11 to consider other topics, as defined by the Board;

6.3.12 where the Board disagrees with the Audit 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:

6.4 Performing the Company's corporate governance procedures;

6.4.1 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

6.4.2 to review and monitor the training and continuous professional development of the Directors and senior management of the Company;

6.4.3 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

6.4.4 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors of the Company;

6.4.5 to review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company; and

6.4.6 responsibilities and powers prescribed by laws, administrative regulations, departmental rules, regulatory documents, the listing rules of the stock exchange of the place where the Company's shares are listed, the Articles of Association, and other matters authorized by the Board.

7. Reporting

7.1 The Audit Committee shall report to the Board after each of its meetings.

8. Authority

8.1 The Audit Committee is authorized by the Board to inspect all accounts, account books and records of the Company.

8.2 In order to fulfill its duties, the Audit Committee is eligible to request the management of the Company to provide any data related to the financial status of the Company, its subsidiaries or affiliated companies.

8.3 The Audit Committee shall have access to independent professional advice at the Company's expense if necessary, to perform the responsibilities of the Audit Committee.

Note: the independent professional advice can be sought via the chief financial officer or the Joint Company Secretary.

8.4 The Audit Committee shall be provided with sufficient resources to perform its duties.

Note: "Senior management" refers to the same persons referred to in the Company's annual report. It is the responsibility of the Directors of the Company to determine which individual or individuals constitute senior management. Senior management may include the directors of subsidiaries of the Company, heads of divisions, departments or other operating units within the group as, in the opinion of the Company's directors, is appropriate.

9. Supplementary Provisions

9.1 For any matters not covered in these terms of reference, the relevant laws, regulations and normative documents of the State, the Hong Kong Listing Rules, and the Articles of Association shall apply. In the event that these terms of reference contravene with the relevant laws, regulations and normative documents, the Hong Kong Listing Rules and other requirements of the Hong Kong securities regulatory authority or the Articles of Association, such relevant laws, regulations and normative documents, the Hong Kong Listing Rules, other requirements of the Hong Kong securities regulatory authority, or the Articles of Association shall prevail.

9.2 The Board of the Company shall be responsible for the interpretation of these duties and responsibilities and the rules of procedures.

9.3 After the consideration and approval of this rules of procedures by the Board, these rules have come into effective and be implemented upon the initial public offering and the listing of H shares on the Hong Kong Stock Exchange. The original rules of procedures for the Audit Committee approved on October 27, 2021 was abolished.