

SHANGHAI ABLE DIGITAL SCIENCE&TECH CO., LTD.

RULES OF PROCEDURES OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHAPTER I GENERAL PROVISIONS

Article 1 In order to enhance the decision-making function of the board of directors of Shanghai Able Digital Science&Tech Co., Ltd. (the “Company”), perform pre-audit and professional audit, ensure the effective supervision of the board of directors on the senior management, and further improve the corporate governance structure, these rules of procedures are formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), the Articles of Association of Shanghai Able Digital Science&Tech Co., Ltd. (the “Articles of Association”) and other requirements.

Article 2 The audit committee of the board of directors is a specialized working body established by the board of directors, primarily responsible for the communication with, supervision and verification of the internal and external audits of the Company.

The internal audit department established by the Company shall be accountable and report to the audit committee.

Article 3 The provisions of the Company Law, the Articles of Association and the Hong Kong Listing Rules in relation to the obligations of the directors shall apply to the members of the audit committee.

CHAPTER II COMPOSITION

Article 4 The audit committee shall comprise three directors, all of whom shall be non-executive directors, with a majority being independent non-executive directors. At least one independent non-executive director shall be an accounting professional and meet the requirements under the Hong Kong Listing Rules for possessing appropriate professional qualifications or appropriate accounting or related financial management expertise, and shall not have any relationship with the Company that could affect his/her independent and objective judgment. Employee representatives serving on the board of directors of the Company may be appointed as audit committee members.

Article 5 The members of the audit committee shall be nominated by the chairperson of the board of directors, more than one-half of the independent non-executive directors, or more than one-third of all the directors, and elected by the board of directors. A former partner of the external auditor which is currently in charge of auditing the accounts of the Company shall not be a member of the audit committee of the Company within two years from the following dates, whichever is the later: (1) the date on which the former partner ceases to be a partner of the external auditor; or (2) the date on which the former partner ceases to be entitled to financial interest in the external auditor.

Article 6 The audit committee shall have a chairperson, who shall act as the convener and be an independent non-executive director, responsible for leading the work of the committee. The chairperson shall be elected by the members of the audit committee among the members who are the independent non-executive directors and appointed upon approval by the board of directors.

Article 7 A member of the audit committee shall have a term of office consistent with the term of a director and shall be eligible for re-election on the expiry of his/her term. Where a member ceases to be a director of the Company, he/she will automatically cease to be qualified as a member of the committee, and the casual vacancy shall be filled by the person elected by the board of directors in accordance with Articles 4 to 6 above.

CHAPTER III DUTIES AND POWERS

Article 8 The main duties and powers of the audit committee include:

- (1) to supervise and assess external audit work, propose the appointment, re-appointment and dismissal or replacement of external auditors, approve the remuneration and terms of engagement of the external auditors, deal with any matters concerning the resignation or dismissal of the external auditors, and supervise the practice of the external auditors. The appointment or change of an external accounting firm by the Company shall be reviewed by the audit committee, which will form a deliberation opinion and provide recommendations to the board of directors before the board of directors can deliberate on the relevant proposal. The audit committee shall develop and implement the Company's policy regarding external auditors, and shall report to the board of directors and make recommendations on any matters requiring follow-up action or improvement;
- (2) to supervise and evaluate the internal audit work, and supervise the formulation and implementation of the Company's internal audit system and accounting policies;

- (3) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; the audit committee shall discuss with the external auditors the nature, scope, and reporting obligations before the audit commences; in assessing the independence of the external auditors, the audit committee shall consider all relationships (including non-audit services) between the Company and the auditing firm and obtain from the external auditors their policies and procedures on an annual basis for maintaining their independence so as to monitor their compliance (including rotation of audit partners and members) and communicate with the auditors on their audit fees, issues identified during the audit and other matters they wish to communicate at least once a year in the absence of the management;
- (4) to develop and implement policies on engaging an external auditor to provide non-audit services. For the purpose of this article, an external auditor firm includes any entity that is under the common control, ownership, or management of the company responsible for the audit or any entity that a reasonably informed third party knowing all relevant information would reasonably conclude to be part of the external auditor locally or internationally. When assessing the non-audit services provided by an external auditor, the Company shall consider the appropriateness of the auditor's qualifications and capabilities, the impact of the services on the independence and objectivity of the auditor, the details and fees of the services and the significance of the services to the auditor, and the remuneration of relevant individuals. The audit committee shall report to the board of directors, identifying and making recommendations on any matters where action or improvement is needed;
- (5) to act as the main representative between the Company and the external auditor, be responsible for the communication between the internal audit function and the external auditors and monitor their relationship, ensure the coordination between the internal audit function and the external auditor, ensure that the internal audit function is adequately resourced to operate and has appropriate standing within the Company, and review and monitor its effectiveness; to be responsible for communication of material issues arising from internal and external audit;
- (6) to review the Company's financial information, the disclosures thereof, financial and accounting policies and practices;
- (7) to monitor the integrity of the financial statements, annual reports and accounts, interim reports and quarterly reports of the Company (if intended for publication) and review the significant opinions on financial reporting specified on the statements and reports. Before submitting the relevant statements and reports to the board of directors, the committee shall specifically review the following matters:
 - (i) any changes in accounting policies and practices; (ii) areas involving significant

judgments; (iii) significant adjustments resulting from the audit; (iv) the going concern assumption and any qualified opinion; (v) compliance with accounting standards; and (vi) compliance with the listing rules of the stock exchange where the shares of the Company are listed and legal provisions in relation to financial reporting;

- (8) regarding paragraph (7) above: (i) members of the committee shall liaise with the board of directors and senior management. The committee shall meet with the external auditor of the Company at least twice a year; and (ii) the committee shall consider any significant or unusual matters that are, or may need to be, reflected in the reports and accounts, and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function and compliance officer or the external auditors;
- (9) to review the Company's internal control systems; to review and evaluate the regime of financial controls, risk management and the internal control system of the Company;
- (10) to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to establish effective risk management and internal control systems. The discussion shall cover whether the Company has enough resources and qualified and experienced employees in the areas of accounting and financial reporting, and whether the training courses for employees and relevant budgets are sufficient;
- (11) to consider on its own initiative or as delegated by the board of directors the major investigation findings regarding the risk management and internal control matters and the responses of the management to such investigation findings;
- (12) to review the Review Findings Letters issued by the external auditor to the management and consider any material queries raised by the audit firm to the management regarding accounting records, financial accounts or control systems and the management's responses;
- (13) to review the Group's financial and accounting policies and practices;
- (14) to ensure that the board of directors will provide a timely response to the issues and material queries raised in the Review Findings Letters issued by the external auditor to the management and the management's responses;

- (15) to review and assess major related (connected) transactions of the Company (the definition of connected transactions is set out in the Hong Kong Listing Rules, as hereinafter referred to); to review the internal system of the Company and organize audit on major related (connected) transactions;
- (16) to examine and review the following arrangements made by the Company: employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (17) to establish a whistleblowing policy and system for employees and those who deal with the Company or its subsidiaries (e.g. customers and suppliers) to raise concerns, in confidence and anonymously, with the committee about possible improprieties in any matter related to the Company or its subsidiaries;
- (18) to develop, review, approve, and update (where applicable) policies and systems that promote and support anti-corruption laws and regulations;
- (19) to develop and review the policies and practices on corporate governance of the Company and make recommendations to the board of directors;
- (20) to review and monitor the training and continuous professional development of directors and senior management;
- (21) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (22) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (23) to review the Company's compliance with the corporate governance code set out in Appendix C1 to the Hong Kong Listing Rules (the "CG Code") and disclosures in the corporate governance report in the annual report; to report to the board of directors on matters within the terms of reference of the committee, including decisions or recommendations of the committee;

- (24) to assume other duties and powers as required by the laws, administrative regulations, departmental rules, regulatory documents, listing rules of the stock exchange where the shares of the Company are listed, including the authority and duties as stipulated in the relevant provisions of the CG Code as well as the Articles of Association and as delegated by the board of directors of the Company, and to study other topics as defined by the board of directors.

Article 9 The audit committee shall be accountable to the board of directors. After considering the matter(s) as required in the preceding article of these rules of procedures, the audit committee shall form a meeting resolution and submit the same to the board of directors of the Company together with relevant proposal for consideration and approval.

Article 10 The audit committee shall cooperate with the members of the supervisory committee on the audit activities.

CHAPTER IV DECISION-MAKING PROCEDURES

Article 11 The internal audit department of the Company shall be responsible for preliminary preparations for decision-making of the audit committee and providing the written information of the Company:

- (1) relevant financial reports (including monthly financial position and other internal financial position), financial budget and decision and relevant information of the Company;
- (2) work reports of the internal audit function and the external auditor;
- (3) external audit contracts and relevant work reports;
- (4) disclosure of information to the public by the Company;
- (5) audit reports on major related (connected) transactions of the Company;
- (6) other relevant matters.

Article 12 The audit committee shall convene meetings to consider the reports submitted by the internal audit department of the Company, and submit relevant resolutions in writing to the board of directors for discussion with respect to:

- (1) the job evaluation, appointment and replacement of the external auditor;

- (2) whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are comprehensive and true;
- (3) whether the financial reports and other information disclosed by the Company give a objective and true view and whether the Company's significant related (connected) transactions are in compliance with relevant laws and regulations or relevant requirements of the stock exchange where the shares of the Company are listed;
- (4) evaluation on the performance of the internal financial department and audit department of the Company, including persons in charge;
- (5) any special investigation, litigation, fraud and non-compliance incidents and other events with subject amount accounting for more than 10% of the latest audited net assets of the Company, which shall be reported to the audit committee. The audit committee shall report the same to the board of directors as appropriate;
- (6) other relevant matters.

CHAPTER V MEETING PROCEDURES

Article 13 Meetings of the audit committee shall be classified as regular meetings and extraordinary meetings. Regular meetings shall be convened at least twice a year and once every six months. Extraordinary meetings shall be convened when proposed by members of the audit committee or the internal audit department of the Company.

Notice of a regular meeting of the audit committee shall be given to all members five days before the meeting is convened, and notice of an extraordinary meeting shall be given to all members three days before it is convened. Notice may be given at any time in case of emergency.

Article 14 A member of the audit committee may attend the meeting in person or may appoint another member in writing to attend the meeting and exercise the right to vote on his/her behalf.

If a member of the audit committee appoints another member to attend and exercise voting rights at the meeting on his/her behalf, he/she shall submit a power of attorney to the chairperson of the meeting, specifying the scope of the authorization. The power of attorney shall be delivered to the chairperson of the meeting no later than a vote is taken at the meeting.

Article 15 If a member of the audit committee fails to attend the meeting in person or appoint another member to attend the meeting on his/her behalf, he/she shall be deemed as absent from the relevant meeting.

If a member of the audit committee fails to attend meetings for two consecutive occasions, such member shall be deemed to have failed to perform his/her duties properly, and may be removed from his/her office as member of the committee by the board of directors.

Article 16 The chairperson shall be responsible for convening and presiding over meetings, or where the chairperson is unable or fails to perform his/her duties, he/she may appoint another member to perform on his/her behalf. If the chairperson neither performs his/her duties nor designates other members to perform on his/her behalf, any of the members may report the situation to the board of directors, and the board of directors shall designate a member to perform the duties of the chairperson.

Article 17 The quorum of a meeting of the audit committee shall be more than two-thirds of the members. Every member shall have one vote. Resolutions made at the meetings shall be passed by a majority of the members.

Meetings of the audit committee may be convened in the form of written resolutions. A written resolution shall be dispatched by facsimile, courier or by hand or otherwise to all members. After the members have voted on the resolution, the original resolution shall be mailed back to the Company for filing. A proposal signed by consenting members satisfying the number of votes required hereunder shall become an effective resolution of the committee.

Article 18 The voting method at the meetings of the audit committee shall be by a show of hands or by poll; while extraordinary meetings may be convened by means of correspondence voting.

Article 19 The internal audit department of the Company shall hold a meeting with the audit committee on a quarterly basis to report on the internal audit work and issues found, and shall submit an internal audit report to the audit committee at least once a year. The person-in-charge of the internal audit department of the Company shall attend the meetings of the audit committee. The audit committee may, if necessary, invite other directors, supervisors, senior management and other relevant personnel of the Company to attend the meetings, lead a briefing or express opinions provided that non-members of the audit committee shall have no right to vote on resolutions.

Article 20 The audit committee may engage an intermediary agency to provide professional opinions on its decisions at the expense of the Company, where necessary.

Article 21 Procedures for convening and voting methods of meetings of the audit committee as well as resolutions passed thereat shall be in compliance with requirements of the relevant laws, administrative regulations, departmental rules, regulatory documents, listing rules of the stock exchange where the shares of the Company are listed, the Articles of Association and these rules of procedures.

Article 22 The audit committee shall keep minutes, which shall record the matters considered and resolutions passed at the meetings in sufficient detail, including any doubts or objections raised by members. The draft and final version of the minutes shall be sent to all committee members within a reasonable time after the meeting, with the draft for members to express their opinions and the final version for record purposes. Each member shall review and confirm the minutes, and the members attending the meeting and the minute taker shall sign the minutes. Members present at a meeting shall have the right to request that a descriptive entry be made in the minutes of their statements at the meeting. If a committee member has any comments or objections regarding the minutes, they may choose not to sign but shall submit their written opinions to the secretary of the board of directors within the stipulated timeframe. If the errors or omissions in the records are confirmed to be true, the secretary of the board of directors shall make corrections, and the committee member shall sign the revised minutes.

The minutes of the audit committee are maintained as company archives of the Company for ten years during the existence of the Company.

Article 23 Proposals and voting results adopted at the audit committee meetings shall be reported to the board of the Company in writing.

The audit committee shall, based on the internal audit report and relevant information submitted by the internal audit department, issue a written assessment opinion on the effectiveness of the internal control of the Company and report the same to the board of directors. Where the board of directors disagrees with the opinions of the audit committee on selection, appointment, resignation or dismissal of an external auditor, the Company shall include in the corporate governance report an explanatory statement of the audit committee on its recommendations and the reasons for the disagreement with the board of directors.

Article 24 Members present and attendees at meetings shall be obliged to keep all matters discussed at the meetings confidential and shall not disclose the relevant information without authorization.

Article 25 The chairperson of the audit committee, or in his/her absence, another member or his/her authorized representative, shall, if invited by the chairperson of the board of directors, attend the annual general meeting of the Company on behalf of the audit committee and answer questions raised at the meeting.

Article 26 The audit committee shall publish its terms of reference on the website of The Stock Exchange of Hong Kong Limited and the website of the Company to explain its role and the authority delegated by the board of directors.

Article 27 The audit committee shall be provided with sufficient resources to perform its duties. The senior management of the Company shall provide support to the work of the audit committee, and the audit committee may engage intermediaries to provide independent professional advice for its decision-making where necessary, with expenses reasonably incurred to be borne by the Company.

CHAPTER VI ABSTENTION FROM VOTING

Article 28 When a member of the audit committee has an interest of conflict, directly or indirectly, in respect of any matter discussed at the meeting, such member shall abstain from voting on the relevant proposals.

Where the number of members attending the meeting is less than the quorum specified in these rules of procedures after the interested members abstain from voting, all members (including the interested members) shall resolve on procedural issues including submitting the proposal to the board of directors for consideration. Such proposal shall be considered by the board of directors.

CHAPTER VII SUPPLEMENTARY PROVISIONS

Article 29 These rules of procedures and any amendments hereto shall be considered and approved by the board of directors, and shall take effect from the date of the initial public offering of H Shares of the Company and its listing on The Stock Exchange of Hong Kong Limited.

Article 30 Matters not covered in these rules of procedures shall be implemented in accordance with the provisions of the relevant laws and regulations of the State, the listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association. If these rules of procedures contravene any laws and regulations promulgated by the State from time to time, the listing rules of the stock exchange where the shares of the Company are listed or the Articles of Association as amended through lawful procedures, the relevant laws and regulations of the State, the listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association shall prevail. These rules of procedures shall be immediately revised accordingly and submitted to the board of directors for consideration and approval.

Article 31 These rules of procedures shall be interpreted by the board of directors of the Company.

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