Delton Technology (Guangzhou) Inc.
廣州廣合科技股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)

Terms of Reference of the Audit Committee of the Board of Directors (Draft) (Applicable after the Listing of H Shares)

CHAPTER 1 GENERAL

Article 1 In order to strengthen the decision-making function of the Board of Directors (the "**Board**"), audit in advance, audit professionally, ensure effective supervision over the management by the Board, and perfect the corporate governance structure of Delton Technology (Guangzhou) Inc. (the "**Company**"), these Terms of Reference are formulated in accordance with the relevant provisions of the Company Law of the People's Republic of China, the Internal Audit Standards of the People's Republic of China, the Administrative Measures for Independent Directors of Listed Companies, Shenzhen Stock Exchange Self-Discipline Supervision Guide for Listed Companies No.1-Standardized Operation of Listed Mainboard Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKEX Listing Rules**"), and other applicable laws and regulations, as well as the Articles of Association of Delton Technology (Guangzhou) Inc. (the "**Articles of Association**").

Article 2 The Board of the Company shall establish an Audit Committee to exercise the powers of the Supervisory Board as stipulated in the Company Law. The Audit Committee of the Board shall be responsible for reviewing the Company's financial information and its disclosure, as well as supervising and evaluating both internal and external audit work and internal control systems.

The term "independent director" as used in these Terms of Reference includes "independent non-executive directors" as determined under the HKEX Listing Rules.

CHAPTER 2 COMPOSITION

Article 3 The Audit Committee shall comprise three or more directors, all of whom shall be non-executive directors. Among these members, more than half of the members shall be independent directors, with at least one being an accounting professional who meets the requirements of the securities regulatory rules of the place where the Company's shares are listed. Members of the Audit Committee shall be directors who do not hold senior management positions within the Company.

Article 4 Members of the Audit Committee (hereinafter referred to as the "**Member(s)**") shall be nominated by the chairman of the Board, or above one-half of the independent directors or above one-third of all directors, and shall be elected by the Board.

Partners of the existing external audit firm appointed by the Company shall be prohibited from acting as a Member of the Audit Committee for a period of two years from the date of the person ceasing to be a partner of the audit firm or to have any financial interest in the external audit firm, whichever is later.

Article 5 The Audit Committee shall have one chairperson, who shall be an independent director with accounting qualifications and is responsible for convening and presiding over the Audit Committee's work. The chairperson shall be elected within the Audit Committee and submitted to the Board for approval.

Article 6 The Members shall have a tenure same as that of the Board. The Members are eligible for re-election upon expiry of the tenure. During the tenure, if a Member no longer takes up the duties of the director of the Company or is no longer fit to be a Member (e.g. a Member who should have the status of an independent non-executive director no longer meets the independence requirements of the HKEX Listing Rules), his status as a Member shall be disqualified automatically, and the Committee shall fill up the required number of Members as stipulated in the HKEX Listing Rules.

Article 7 A Member may request to resign before expiry of his/her term of office, in which case the resignation report in written form shall be submitted to the Board. The resignation report is taken into effect upon the approval of the Board. The original Member shall perform the relevant duties pursuant to the provision of the Rules before the new Member assumes office.

Article 8 The Audit Committee may, as needed, newly establish or designate relevant departments as its daily administrative bodies to deal with daily matters, liaison and organization of committee meetings. The Company's finance and audit department shall provide professional support to the Audit Committee, responsible for the preparation of relevant materials and feedback on the implementation of internal control systems.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 9 The Audit Committee is responsible for reviewing the Company's financial information and its disclosure, supervision and evaluation of internal and external audit as well as internal control. The primary responsibilities and authorities include:

(I) Supervising and assessing external audit work

1. to make recommendations to the Board on the appointment, reappointment and change of the external auditor, to make recommendations to the Board on the remuneration and terms of engagement of the external auditor, and to handle any matters on resignation or dismissal of that 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 Committee shall discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences. In order to conduct the investigation on the independence of the external auditor, the Committee is required to complete the following tasks: serving as the primary representative between the Company and the auditor; studying the relationship between the Company and the auditor (including non-audit services); requesting for materials from the auditor each year to understand the policies and procedures that have been adopted by the auditor for maintaining its independence and supervising the implementation of relevant rules, including the requirements relating to the change of the auditor's partners and staff; meeting with the external auditor at least once a year in the absence of the management to discuss matters relating to auditing fees, any matters arising from the auditing work and other matters raised by the auditor; and

3. to formulate and implement policies for the appointment of an external auditor to provide non-audit services. For the purpose of this provision, “an external auditor” includes any entity that is under common control, ownership or management with the company responsible for auditing, or any entity that a third party, having reasonable knowledge about all relevant information, will determine under reasonable circumstances to be part of the domestic or international business of the company responsible for auditing. The Audit Committee shall report to the Board, and make proposals, on any action or improvement considered to be necessary.

(II) Providing guidance for the internal audit work

1. to review the Company’s annual internal audit work plan;

2. to supervise the implementation of the Company’s internal audit plan;

3. to review reports on internal audit, assess the results of internal audit and urge the rectification of major issues;

4. to direct and oversee the effective operation of the internal audit department; and

5. to make recommendations on the appointment and removal of the head of the Company’s internal audit organization.

The internal audit department of the Company shall report its work to the Audit Committee. All audit reports, rectification plans of audit issues and status of rectification reported by the internal audit department to the management shall also be reported to the Audit Committee.

(III) Reviewing the Company's financial reports

The Committee shall review and monitor the truthfulness, completeness and accuracy of the financial statements and the annual reports and accounts, interim reports and quarterly reports of the Company, and review any significant financial reporting opinions contained in the statements and reports, paying particular attention to whether there is any probability of fraud, corruption and material misstatement in relation to the financial statements and reports. In this regard, the Audit Committee, in submitting such statements and reports to the Board, shall review the following matters in particular:

1. any changes in accounting policies and practices;
2. where significant judgements are involved;
3. significant adjustments resulting from audit;
4. the going concern assumptions and any qualified opinions;
5. compliance with accounting standards; and
6. compliance with other securities regulatory rules and legal requirements of the places where the Company's shares are listed in relation to financial reporting.

For the purpose of item (3) above, the members of the Audit Committee shall liaise with the Board and the Company's senior management. The Audit Committee shall meet at least twice annually with the Company's external audit firm. The Audit Committee shall consider any significant 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, compliance department or external audit firm.

(IV) Assessing the effectiveness of internal control, reviewing and monitoring the effective operation of the Company's financial reporting, internal control and risk management systems

1. to examine and review the Company's financial control, internal control and risk management systems;

2. to discuss the risk management and internal control system with the management to ensure that the management has performed its duty to establish an effective system. This discussion should include the adequacy of the Company's resources, staff qualifications and experience, the adequacy of the training courses and related budgets received by the staff for the accounting and financial reporting functions;

3. to oversee the effective implementation of internal control and the self-evaluation of internal control, coordinate internal control audits, supervise the rectification of internal control deficiencies and other related matters; and review the financial and accounting policies and practices of the Company and the Group;

4. Reviewing the internal control audit report issued by the external audit firm, as well as communicating the problems discovered and corresponding improvement methods with the external audit firm; acting proactively or upon delegation by the Board to examine the Explanatory Letter on Auditing provided by the external audit firm to the management, any material questions raised by the external audit firm to the management in respect of the accounting records, financial accounts, risk management or control systems and the reply from the management; ensuring the Board gives timely reply to matters mentioned in the Explanatory Letter on Auditing issued by the external audit firm to the management;

5. Ensuring the coordination of tasks between internal and external audit firms; ensuring the internal audit function has sufficient internal resources and appropriate position to operate within the Company; as well as evaluating and monitoring whether the internal audit function is effective; and

6. Evaluating the following arrangements made by the Company: staff of the Company may raise concern about possible improprieties in financial reporting, internal control or other aspects under confidential circumstances. The Audit Committee shall ensure that appropriate arrangement will be made to enable the Company to conduct fair and independent investigation, and take appropriate actions, on such matters.

(V) Responsible for the communications among the management, internal audit department and the relevant departments with the external audit firm

1. Coordinating communication between the management and the external audit firm on material auditing issues;

2. Coordinating communication between the internal audit department and external audit firm as well as cooperation with the work of the external audit firm; and

3. Acting as the primary representative body between the Company and the external audit firm and being responsible for overseeing the relations between them.

(VI) Reporting to the Board on the matters mentioned above and other matters as stated in Code Provision D.3.3 (and any amendments thereto from time to time) of Appendix C1 to the Listing Rules of the Hong Kong Stock Exchange, and report to the Board in respect of the decisions or recommendations made by the Audit Committee, unless such reporting is prohibited by legal or regulatory restrictions.

(VII) Responsible for supervising and improving the principles, structure and system of corporate governance, including:

1. Developing and evaluating the policies and practices on corporate governance and making recommendations to the Board;

2. Evaluating and monitoring the training and continuous professional development of directors, supervisors and senior management;

3. Evaluating and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. Developing, evaluating and monitoring the code of conduct and compliance manual (if any) for the employees and directors; and

5. Evaluating the Company's compliance with the Corporate Governance Code in Appendix C1 to the HKEX Listing Rules and disclosure in the Corporate Governance Report.

(VIII) Other Responsibilities and Authorities

1. to supervise the performance by the Directors and senior management of their duties to the Company and propose the dismissal of the Directors and senior management personnel who violates laws, administrative regulations, the Articles of Association or the resolutions of the Shareholders' Meeting;

2. to demand rectification from the Directors and senior management when the acts of such persons are harmful to the Company's interests;

3. to propose the convening of interim Shareholders' Meeting and to convene and preside the Shareholders' Meeting in the event that the Board fails to perform its duties to convene and preside the Shareholders' Meeting;

4. to submit proposals to the Shareholders' Meeting;

5. where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by Directors and senior management (other than members of the audit committee) in the course of performing their duties, shareholders individually or jointly holding 1% or more of the shares of the Company for one hundred and eighty (180) consecutive days or more shall have the rights to request in writing the audit committee to initiate legal proceedings in the People's Court; and

6. the relevant powers of the supervisory committee as stipulated in the Company Law, other powers specified in the Articles of Association, matters delegated by the Board of directors of the Company and other matters covered by relevant laws and regulations.

(IX) Other matters as required by laws, regulations, listing rules of the place where the securities of the Company are listed and as conferred by the Board.

Article 10 The following matters shall be submitted to the Board for consideration only upon being approved by a simple majority of all members of the Audit Committee:

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

(II) appointment, dismissal of the accounting firm that undertakes the auditing services for the Company;

(III) appointment or dismissal of the Company's financial controller;

(IV) making changes in accounting policies, accounting estimates, or significant accounting error corrections for reasons other than changes in accounting standards; and

(V) other matters as stipulated by the laws, administrative regulations, securities regulatory rules of the place where the stock of the Company are listed and the Articles of Association.

Article 11 The Audit Committee shall supervise and instruct the internal audit department to conduct inspections of the following matters at least once every six months, issue inspection reports and submit them to the Audit Committee.

(I) the implementation of major events such as the use of the Company's fund-raising, the provision of guarantees, related party transactions, securities investments and derivatives transactions, the provision of financial assistance, the purchase or sale of assets, and foreign investments; and

(II) the Company's large amount of financial transactions and financial transactions with directors, senior management, controlling shareholders, de facto controllers and their related parties.

The Audit Committee shall issue a written assessment on the effectiveness of the Company's internal controls based on the internal audit reports and related information submitted by the internal audit department and report it to the Board.

Article 12 Financial information contained in the periodic reports shall be reviewed by the Audit Committee and submitted to the Board for approval only upon the consent of a majority of the Audit Committee members.

Audit Committee members who cannot ensure the truthfulness, accuracy, or completeness of the financial information in the periodic report or who hold objections shall cast a dissenting or abstention vote when reviewing the report.

The Audit Committee shall make recommendations to the Board on the hiring or replacement of an external auditing organization, and review the audit fees and terms of engagement of the external auditing organization, which shall not be subject to the undue influence of the Company's major shareholders, de facto controllers, or directors and senior management.

The Audit Committee shall urge the external auditing institution to be honest, trustworthy and diligent, to strictly comply with the business rules and industry self-regulation, to strictly implement the internal control system, to verify and validate the Company's financial accounting reports, to fulfill the obligation to pay special attention to the Company, and to prudently express professional opinions.

Article 13 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 the Audit Committee meetings.

If the Audit Committee makes recommendations to the Board on matters within the scope of its duties and responsibilities, and the Board does not adopt such recommendations, the Company shall disclose such matters in accordance with the securities regulatory rules of the place where the Company's shares are listed (if applicable) and fully explain the reasons thereof.

CHAPTER 4 PROCEDURES OF DECISION-MAKING

Article 14 The persons in charge of the internal audit and relevant finance department of the Company are responsible for providing to the audit committee relevant written information of the Company in relation to:

(I) relevant financial system of the Company;

(II) internal major audit reports and external audit reports;

(III) external audit contract, special audit and relevant audit reports;

(IV) disclosure of information to the public by the Company;

(V) the audit report regarding the major connected transactions of the Company; and

(VI) other relevant matters.

Article 15 The audit committee shall convene meetings to consider the reports and materials submitted by the internal audit department and other relevant departments, prepare relevant resolutions in writing and submit to the board of directors for discussion. The content of such resolutions shall include, but not be limited to, the following aspects:

(I) evaluation on the performance of, and engagement and replacement of, the external auditors;

(II) the effectiveness of the implementation of the internal audit system of the Company and the completeness and truthfulness of the financial reports of the Company;

(III) the objectiveness and truthfulness of the financial information disclosed publicly by the Company, and whether the major connected transactions of the Company comply with relevant laws and regulations;

(IV) evaluation on the performance of the audit department of the Company, including persons in charge; and

(V) other relevant matters.

CHAPTER 5 RULES OF PROCEDURE

Article 16 Meetings of the Audit Committee shall be convened and presided over by the chairperson. The Audit Committee shall hold at least one meeting each quarter. An extraordinary meeting may be convened when proposed by two or more members, or when the convener deems it necessary. Notice of a meeting shall be given to all members three days prior to the meeting. In special or urgent circumstances, the above notice period may be waived.

If the chairperson is unable to attend, he or she may designate another member (an independent director) to preside over the meeting.

Article 17 A meeting of the Audit Committee may be held only if more than two-thirds of the members are present. Each member of the Audit Committee shall have one vote. Resolutions of the meeting must be approved by more than half of all members.

Article 18 Voting at meetings of the Audit Committee shall be conducted by a show of hands or by poll. Extraordinary meetings may be held by means of written or electronic communication for voting purposes.

Article 19 The secretary to the Board shall attend meetings of the Audit Committee as a non-voting participant. When necessary, other directors and senior management personnel of the Company may be invited to attend the meeting.

Article 20 Members of the Audit Committee and other attendees at Audit Committee meetings shall have a duty of confidentiality with respect to information that has not yet been publicly disclosed, and shall not use insider information to seek benefits for themselves or others.

Article 21 Members of the Audit Committee shall attend meetings in person. If a member is unable to attend for any reason, he or she may authorize another member in writing to attend on his or her behalf. A member who fails to attend a meeting and does not appoint a representative shall be deemed to have waived his or her voting rights at that meeting.

Article 22 Where necessary, the Audit Committee may engage intermediary agencies to provide professional opinions for its decision-making, and the related expenses shall be borne by the Company.

Article 23 The procedures for convening meetings of the Audit Committee, the methods of voting, and the resolutions adopted at such meetings shall comply with applicable laws and administrative regulations, the Articles of Association, and these Rules.

Article 24 Minutes or memoranda shall be kept for meetings of the Audit Committee. The minutes shall contain sufficiently detailed records of matters considered and decisions reached at the meeting, including any concerns raised or dissenting opinions expressed by members. Draft and final versions of the meeting minutes shall be sent to all members of the Committee within seven days after the meeting. The draft shall be provided for members' comments, and the final version shall serve as the official record. Members attending the meeting shall sign the minutes or memoranda. The minutes shall be kept by the secretary to the Board for a period of not less than ten years. The minutes shall be available for inspection by any director at any reasonable time upon reasonable notice.

Article 25 Resolutions passed and voting results of the Audit Committee meetings shall be submitted to the Board of the Company in written form.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 26 Matters not covered in these Rules shall be implemented in accordance with applicable national laws and regulations, securities regulatory rules of the place where the Company's shares are listed, normative documents, and the Articles of Association. In the event of any conflict between these Terms of Reference and the national laws and regulations subsequently introduced, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association as amended through lawful procedures, such laws, regulations, normative documents, securities regulatory rules of the place where the Company's shares are listed, and Articles of Association shall prevail, and these Rules shall be revised immediately and submitted to the Board for consideration and approval.

Article 27 These Terms of Reference, upon consideration and approval by the Board of the Company, shall take effect and be implemented from the date of listing of overseas listed shares (H shares) issued by the Company on The Stock Exchange of Hong Kong Limited. Upon the implementation of these Terms of Reference, the Company's original Terms of Reference of the Audit Committee of the Board shall automatically become invalid.

Article 28 These Terms of Reference shall be interpreted and amended by the Board of the Company.

Delton Technology (Guangzhou) Inc.
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