Dajin Heavy Industry Co., Ltd.
大金重工股份有限公司
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1081)

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

Chapter 1 General Provisions

Article 1 In order to strengthen the decision-making function of the board of directors (the "Board") of Dajin Heavy Industry Co., Ltd. (the "Company"), conduct pre-audit and professional audit, ensure the effective supervision of the Board of the Company over the management and improve the corporate governance structure, the Company established the Audit Committee of the Board and formulated these Terms of Reference in accordance with relevant laws, administrative regulations, departmental rules, normative documents and securities regulatory rules such as the Company Law of the People's Republic of China (the "Company Law"), the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") (together, the "securities regulatory rules of the places where the Company's shares are listed") and the Articles of Association of Dajin Heavy Industry Co., Ltd. (the "Articles of Association") and other relevant provisions.

Article 2 The Audit Committee of the Board is a specialized working body under the Board established with the approval of the general meeting and is mainly responsible for the communication, supervision and inspection of the Company's internal and external audits, and performs the functions and powers of the board of supervisors as stipulated in the Company Law and the securities regulatory rules of the places where the Company's shares are listed.

Article 3 The Audit Committee is accountable to the Board, and its proposals shall be submitted to the Board for consideration and decision.

Article 4 The audit working group under the Audit Committee is the daily administrative body, which is responsible for day-to-day communications and meeting organization.

Chapter 2 Composition

Article 5 The Audit Committee shall consist of three directors, of which more than half of the members shall be independent directors, and at least one independent director of the Audit Committee shall be a professional with the accounting or financial management expertise as required by the securities regulatory rules of the places where the Company's shares are listed. The members of the Audit Committee shall be non-executive directors who do not hold any position of senior management of a listed company.

The term "independent director" referred to herein shall have the same meaning as that of the "independent non-executive director" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Article 6 The members of the Audit Committee shall be nominated by the Chairman of the Board, over one-half of the independent directors or one-third of all the directors, and shall be elected by the Board.

Article 7 The Audit Committee shall have a chairman (convener), who shall be a professional among the independent directors with the accounting or financial management expertise as required by the securities regulatory rules of the places where the Company's shares are listed, and shall be responsible for presiding over the work of the Committee. The chairman shall be a professional with the accounting or financial management expertise as required by the securities regulatory rules of the places where the Company's shares are listed. The chairman shall be elected from among the members and shall be reported to the Board for approval.

Article 8 The term of office of the Audit Committee shall be the same as that of the Board. Members of the Committee can be re-elected upon expiry of their terms. If a member is no longer the Company's director during the term of office, he/she will automatically lose the qualification to be a member of the Committee and the vacancy shall be filled up by the Committee in accordance with the provisions of Articles 5 to 7 of these Terms of Reference.

If the resignation of members of the Audit Committee causes the number of the members of the Audit Committee to fall below the minimum statutory number or results in a lack of professionals with the accounting or financial management expertise as required by the securities regulatory rules of the places where the Company's shares are listed, the original members shall continue to perform their duties until new members take office.

Article 9 The provisions of the Company Law and the Articles of Association regarding the obligations of directors shall apply to the members of the Audit Committee.

Chapter 3 Duties and Powers

Article 10 The primary duties and powers of the Audit Committee shall include:

(1) To review the Company's financial information and its disclosure:

The Audit Committee shall review the Company's financial and accounting reports, provide opinions on the truthfulness, accuracy and completeness of the financial and accounting reports, with a focus on major accounting and auditing issues in the financial and accounting reports, pay special attention to the possibility of fraud, malpractices and major misstatements related to the financial and accounting reports, and supervise the rectification of issues in financial and accounting reports.

In case of financial fraud, material accounting errors and other issues, the Audit Committee shall require the Company to correct the relevant financial data before passing a resolution, in which case the Audit Committee shall not approve the reports until the correction is completed.

If any member of the Audit Committee is unable to confirm the truthfulness, accuracy, or completeness of the financial information in periodic reports or hold dissenting views, such member shall vote against or abstain from voting during the review of the periodic reports by the Audit Committee.

(2) To supervise and evaluate the external audit work, and to propose the engagement or change of accounting firms:

1. to formulate policies, procedures and relevant internal control systems for the selection and engagement of auditing firms in accordance with the authorization of the Board;

2. to propose to initiate relevant work for the selection and engagement of auditing firms;

3. to review the selection and engagement documents, determine the evaluation factors and specific scoring criteria, and supervise the selection and engagement process;

4. to consider and decide the accounting firms to be engaged, and to put forward suggestions on the audit fees and submit them to the Board for resolution;

5. to be responsible for other matters relating to the selection and dismissal of the accounting firms as authorized by the laws and regulations, the Articles of Association and the Board.

The Audit Committee shall make recommendations on the engagement or change of the accounting firms to the Board, review the audit fees and terms of engagement of the accounting firms, and shall not be subject to undue influence by the Company's substantial shareholders, de facto controller, directors or senior management.

(3) To supervise and evaluate the internal audit work, and be responsible for the coordination between internal audit and external audit:

The Audit Committee shall supervise and evaluate the audit work of the accounting firms, urge accounting firms to be honest, trustworthy, diligent and responsible, who shall also strictly abide by business rules and industry self-regulation norms, strictly implement the internal control system, verify and validate the Company's financial and accounting reports, perform special due diligence, and express professional opinions with caution.

The Audit Committee shall regularly (at least annually) submit to the Board an assessment report on the performance of the accounting firms and a report on the supervision of the accounting firms by the Audit Committee.

(4) To supervise and evaluate the internal control of the Company:

The internal audit department, in the process of supervising and inspecting the Company's business activities, risk management, internal control and financial information, shall be subject to the supervision and guidance of the Audit Committee. The Audit Committee shall participate in the assessment of the person-in-charge of internal audit. The Audit Committee shall supervise and evaluate the internal audit work and perform the following 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 is accountable to the Audit Committee, and shall report to the Audit Committee on its work. All types of audit reports, rectification plans and rectification status of audit issues submitted by the internal audit department to the management shall be reported and delivered to the Audit Committee at the same time;

5. to report to the Board on the progress, quality of internal audit work, and major problems or clues identified;

6. to coordinate the relationship between the internal audit department and the accounting firms, national audit institutions and other external auditors.

The internal audit department shall report to the Audit Committee on its work. All types of audit reports, rectification plans and rectification status of audit issues submitted by the internal audit department to the management shall be reported and delivered to the Audit Committee at the same time. If the internal audit department identifies any relevant major issues or clues, it shall immediately and directly report to the Audit Committee.

(5) To exercise the functions and powers of the board of supervisors as stipulated in the Company Law:

1. to examine the Company's finances;

2. to supervise the performance of duties of directors and senior management;

3. when the actions of directors and senior management harm the interests of the Company, require the directors and senior management to correct their actions;

4. to propose to convene the extraordinary board meeting;

5. to propose to convene the extraordinary general meeting, and convene and preside over the general meeting when the Board fails to perform its duties of convening and presiding over the general meeting as required by law;

6. to submit proposals to the general meeting;

7. to accept shareholders' requests and file a lawsuit against directors and senior management other than the members of the Audit Committee who violate the laws, administrative regulations, or the Articles of Association and cause losses to the Company while performing their duties;

8. other functions and powers stipulated by laws, regulations, self-regulatory rules of the stock exchange and the Articles of Association.

(6) To be responsible for other matters prescribed by laws and regulations, securities regulatory rules of the places where the Company's shares are listed, self-regulatory rules of the stock exchanges of the places where the Company's shares are listed, the Articles of Association, and other matters as authorized by the Board.

Article 11 The review opinions passed at the meetings of the Audit Committee shall be submitted to the Board of the Company in writing. If the Audit Committee submits review opinions on matters within its scope of duties to the Board, but the Board fails to adopt them, the Company shall disclose such matters and fully explain the reasons.

Chapter 4 Work Procedures

Article 12 The audit working group is responsible for performing daily work and providing relevant written information to the Company:

(1) the relevant financial reports and periodic reports of the Company;

(2) the annual work plan of internal audit and the work report of the internal audit department;

(3) the external audit contracts and relevant work reports;

(4) the internal control system of the Company and relevant work reports regarding its implementation;

(5) the audit or assessment reports on the Company's material related transactions;

(6) other relevant matters.

Article 13 The Audit Committee meetings shall review the following reports provided by the Company's audit working group and submit written materials of the relevant proposals after consideration to the Board for consideration:

(1) appraisal of external audit firms and the engagement and change of external audit firms;

(2) the implementation report of the internal audit system of the Company;

(3) whether the financial reports and other information disclosed publicly by the Company are objective, complete and authentic, and whether the material related transactions of the Company are in compliance with the relevant laws and regulations;

(4) the performance assessment of the Company's financial department, the audit department and their persons-in-charge;

(5) other related matters.

Chapter 5 Rules of Procedure

Article 14 Meetings of the Audit Committee are classified into regular meetings and extraordinary meetings. Regular meetings are held at least once every quarter. An extraordinary meeting may be convened on the proposal of two or more members, or if the convener deems it necessary. All members shall be notified two days prior to the meeting. If the situation is urgent and it is necessary to convene a meeting of the Audit Committee as soon as possible, notice of the meeting may be given by telephone or other oral means at any time, but the convener shall give an explanation at the meeting.

The meeting shall be presided over by the chairman. If the chairman is unable or unwilling to perform their duties, an independent director shall be elected by a majority of the members of the Audit Committee to preside over the meeting.

Article 15 A meeting of the Audit Committee shall be held only when at least two-thirds of the members are present. Each member shall have one vote. A resolution of the meeting shall be adopted only upon approval by a majority of all members. Members of the Audit Committee shall abstain from voting in the event that he/she has interests in the matters discussed at the meeting. If no effective review opinion can be formed due to abstention, the relevant matters shall be submitted to the Board for consideration.

Members shall attend the meetings of the Audit Committee in person. If a member is unable to attend the meeting due to special reasons, he/she may form a clear opinion after fully understanding the content of the meeting and record such opinion in a power of attorney, entrusting other members in writing to exercise their voting rights.

Each member of the Audit Committee may be entrusted by no more than one member. The power of attorney shall specify the scope and duration of authorization. If an independent director is unable to attend the meeting for any reason, he/she shall appoint another independent director in the Audit Committee to attend the meeting on his/her behalf.

Article 16 The voting method of the meeting of the Audit Committee shall be voting by show of hands or by poll. Meetings may also be convened by means of voting by correspondence.

Article 17 Members of the audit working group and the person-in-charge of the audit department may attend the meetings of the Audit Committee. Directors and other senior management of the Company may be invited to attend the meetings as non-voting delegates when necessary.

Article 18 The Company shall provide the Audit Committee with the necessary working conditions and adequate resources for support, appoint dedicated personnel or institutions to undertake the daily work of the Audit Committee such as work liaison, meeting organization, material preparation and file management.

The management of the Company and relevant departments shall cooperate with the Audit Committee during its course of performing its duties. Directors and senior management shall truthfully provide relevant information and materials to the Audit Committee, without obstructing the Audit Committee in exercising its powers, and shall ensure that the Audit Committee can perform its duties without interference.

Where necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, with all expenses to be borne by the Company.

Article 19 The convening procedures, voting methods and resolutions passed at meetings of the Audit Committee shall comply with relevant laws, regulations, the Articles of Association, and these measures.

Article 20 Records shall be kept for meetings of the Audit Committee. Members of the Audit Committee who attend the meeting shall sign the minutes. The minutes shall be maintained by the secretary to the Board of the Company for a period of ten years.

Article 21 Resolutions passed and voting results at meetings of the Audit Committee shall be reported to the Board of the Company in writing.

Article 22 All members of the Audit Committee and others present and attending the meeting shall have a duty of confidentiality with respect to the matters discussed at the meeting and shall not disclose any relevant information without authorization.

Article 23 When the Company discloses its annual report, it shall also disclose the annual performance of the Audit Committee, mainly including the Committee's duty performance and exercise of functions and powers, and the convening of meetings of the Audit Committee.

Chapter 6 Supplementary Provisions

Article 24 Matters not covered in these Terms of Reference shall be implemented in accordance with the relevant provisions of the relevant national laws, regulations, normative documents, securities regulatory rules of the places where the Company's shares are listed, the Articles of Association and other normative documents. In the event of any conflict between these Terms of Reference and the national laws, regulations, normative documents, securities regulatory rules of the places where the Company's shares are listed subsequently introduced, or the Articles of Association as amended through lawful procedures, such relevant national laws, regulations and Articles of Association shall prevail.

Article 25 These Terms of Reference shall be interpreted by the Board of the Company and shall take effect and be implemented from the date of listing of the Company's overseas listed H shares pursuant to the initial public offering on The Stock Exchange of Hong Kong Limited after being considered and approved by the Board.