Shenzhen HQVT Technology Co., Ltd.
深圳海清智元科技股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 1392)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Chapter I General Provisions

Article 1 To enhance the decision-making function of the board of directors of Shenzhen HQVT Technology Co., Ltd. (hereinafter referred to as the "**Company**"), perform pre-audit and professional audit, ensure effective supervision of the board of directors over the operation and management, and improve the corporate governance structure, the Company formulated these terms of reference in accordance with the Company Law of the People's Republic of China (中華人民共和國公司法) (hereinafter referred to as the "**Company Law**"), the 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, regulations and normative documents, operating rules of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Stock Exchange**"), and the Articles of Association of Shenzhen HQVT Technology Co., Ltd. (hereinafter referred to as the "**Articles of Association**") with reference to the actual circumstances of the Company.

Article 2 The Audit Committee and its members shall comply with the provisions of laws, regulations, the Articles of Association and these terms of reference in good faith and sincerity.

Chapter II Composition of the Audit Committee

Article 3 The Audit Committee is accountable to the board of directors. The Audit Committee shall comprise at least three members and all of them shall be non-executive directors, and the majority of whom shall be independent non-executive directors. At least one member of the Committee shall be an independent director with appropriate professional qualifications or accounting or related financial management expertise. The convener shall be an accounting professional among these independent non-executive Directors.

Article 4 A former partner of the external auditor currently engaged by the Company shall not serve as a member of the Audit Committee for a period of two years from (I) the date of his/her ceasing to be a partner of the accounting firm or (II) to have any financial interest in the accounting firm, whichever is later. If a non-executive director or an independent non-executive director resigns or is dismissed, resulting in a proportion of non-executive directors or independent non-executive directors on the special committees deviating from compliance with the preceding provisions or the requirements of the Stock Exchange where the shares of the Company are listed or the Articles of Association, or a lack of accounting professionals among the independent non-executive directors, the Company shall complete the by-election within 60 days from the date of such event.

Article 5 The Audit Committee shall have one chairman who is an independent non-executive director.

Article 6 The terms of office of members of the Audit Committee shall be consistent with those of directors, and the members may be re-elected upon the expiration of the terms. If any member ceases to serve as a director of the Company during the term, he/she shall cease to be a committee member automatically, and the vacancy in the committee shall be filled by the board of directors in accordance with the provisions of these terms of reference.

Chapter III Duties of the Audit Committee

Article 7 The primary duties of the Audit Committee are as follows:

(I) to examine the Company's financial matters;

(II) 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 who violates laws, administrative regulations, the Articles of Association or the resolutions of the general meeting;

(III) to demand rectification from the directors and senior management when the acts of such persons are harmful to the Company's interests;

(IV) to propose the convening of extraordinary general meetings; to convene and preside the general meetings in the event that the board of directors fails to perform its duties to convene and preside the general meetings;

(V) to submit proposals to the general meetings;

(VI) where the Company incurs losses as a result of directors' and senior management' (other than the Audit Committee members) violation of the laws, administrative regulations or the Articles of Association in the course of performing their duties with the Company, shareholders individually or jointly holding 1% or more of the shares for more than 180 consecutive days shall be entitled to request in writing the Audit Committee to initiate litigations in the people's court;

(VII) to supervise and evaluate the work of external auditor;

(VIII) to guide and supervise the internal audit work and its implementation;

(IX) to coordinate the communication among the management, internal audit department and relevant departments, and external auditor;

(X) to review the financial information of the Company and its disclosures, review the financial reports of the Company and express opinions thereon;

(XI) to review and monitor the internal control systems of the Company and evaluate the effectiveness of such internal controls, as well as compliance with relevant laws and regulatory requirements;

(XII) to confirm the list of connected persons, and review the Company's material connected transactions and material investment activities such as acquisitions and mergers;

(XIII) to be primarily responsible for making recommendations to the board of directors on the appointment, re-appointment and dismissal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any issues in relation to its resignation or dismissal;

(XIV) 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

should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit; in the case of more than one external auditor participating in the audit work, to ensure mutual coordination between such accounting firms;

(XV) to develop and implement policies on engaging an external auditor to supply non-audit services.

For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the board of directors and make recommendations on any matters where action or improvement is needed;

(XVI) to monitor the integrity of the Company's financial statements, annual reports, accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein. In reviewing these reports before submission to the board of directors, the Audit Committee should focus particularly on:

1. any changes in accounting policies and practices;

2. major judgmental areas;

3. significant adjustments resulting from audit;

4. the going concern assumptions and any qualified opinions;

5. compliance with accounting standards;

6. significant accounting and financial reporting matters raised by internal auditors and external auditors; and

7. compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting;

(XVII) Regarding paragraph (XVI) above:

1. members of the Audit Committee shall liaise with the board of directors and senior management. The Audit Committee must meet, at least twice a year, with the Company's external auditor; and

2. the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts. It should give due consideration to any matters that have been raised by the Company's staff responsible for accounting and financial reporting, compliance officers or the external auditor;

(XVIII) to review the financial controls of the Company and its subsidiaries, and to conduct a review of the annual audit plan with the internal auditor and provide guidance, and to review the adequacy of the Company's accounting systems, risk management and internal control systems;

(XIX) to discuss the risk management and internal control systems with management to ensure that management has performed its duty in establishing effective systems, and to provide opinions and recommendations on the improvement of the Group's risk management and internal control systems. Such discussion shall include the adequacy of resources, staff qualifications and experience, training programs and budget in relation to the Company's accounting and financial reporting function;

(XX) to consider major investigation findings on risk management and internal control matters as delegated by the board of directors or on its own initiative and the management's response to these findings;

(XXI) to review the internal audit plan of the Company, to ensure co-ordination between the internal audit function and external auditor of the Company; and to ensure that internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(XXII) to review the Group's financial and accounting policies and practices;

(XXIII) to review the external auditor's management letters, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;

(XXIV) to ensure that the board of directors will provide a timely response to the issues raised in the external auditor's management letters;

(XXV) to report to the board of directors on matters in the code provisions under Appendix C1 to the Hong Kong Listing Rules;

(XXVI) to review the arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, 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; to act as the key representative body for overseeing the Company's relations with the external auditor; and

(XXVII) the relevant powers of the Supervisory Committee as stipulated in the Company Law, and other matters as required by laws, regulations, normative documents, the Hong Kong Listing Rules, securities regulatory authorities, the Articles of Association, the terms of reference of the board of directors of the Company and authorized by the board of directors.

Article 8 The Audit Committee shall urge the relevant functional departments to disclose in the Corporate Governance Report how the Company has complied with the code provisions on risk management and internal control during the reporting period. The specific content shall include:

(I) The Company's procedures for identifying, assessing and managing significant risks;

(II) The key features of the Company's risk management and internal control;

(III) The Company's procedures for reviewing the effectiveness of its risk management and internal control systems;

(IV) The Company's procedures and internal control measures for handling and disclosure inside information;

(V) The frequency of the board of directors' review of the risk management and internal control systems, and a statement as to whether the Company considers such systems to be adequate and effective.

Article 9 The Audit Committee shall also urge the board of directors to disclose in the Corporate Governance Report whether it has obtained management's confirmation of the effectiveness of the Company's risk management and internal control systems, and urge the board of directors to disclose details of other key matters of concern.

Article 10 The following matters shall be submitted to the board of directors for consideration after being approved by more than half of all members of the Audit Committee:

(I) to disclose the financial information contained in financial and accounting reports and periodic reports, and internal control evaluation reports;

(II) to appoint or dismiss the accounting firm engaged to conduct the Company's audit;

(III) to appoint or dismiss the Company's financial officer;

(IV) to effect changes in accounting policies, accounting estimates, or corrections of material accounting errors, for reasons other than changes in accounting standards;

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

Article 11 Before the Audit Committee submits the semi-annual and annual financial statements to the board of directors, it shall review and monitor the completeness, accuracy and fairness of such statements, with particular attention to changes in accounting policies and practices, areas involving significant judgments, adequacy of disclosures, consistency of information in the financial statements with previously disclosed information, significant adjustments arising from the audit, the going concern assumption and any qualification statements, compliance with all applicable legal and accounting standards, and compliance with financial reporting requirements under the Hong Kong Listing Rules and other legal provisions.

Article 12 After the end of the year, the Audit Committee shall submit to the board of directors the special report on the Company's annual connected transactions and the implementation of the connected transactions management system, providing a detailed report on the overall status, risk level, and structural distribution of connected transactions occurring throughout the year of the Company.

Article 13 The Audit Committee shall study other topics as defined by the board of directors, ensure that the board of directors is informed of events that may have a material impact on the Group's financial position or business development, and make appropriate recommendations to the board of directors.

Article 14 The Company's Audit Committee is responsible for the selection and engagement of the accounting firm and shall supervise the conduct of its audit work. The Audit Committee shall effectively perform the following duties:

(I) to formulate policies, procedures and related internal control systems for the selection and engagement of accounting firms in accordance with the authorization of the board of directors;

(II) to propose the initiation of work related to the selection and engagement of the accounting firm;

(III) to review the selection documents, determine evaluation factors and specific scoring criteria, and supervise the selection process;

(IV) to propose recommendations on the accounting firm to be selected and the audit fees, and submit them to the decision-making body for determination;

(V) to supervise and evaluate the audit work of the accounting firm;

(VI) to submit regularly (at least annually) to the board of directors an evaluation report on the performance of the engaged accounting firm and a report on the performance of the Audit Committee's oversight responsibilities;

(VII) to be responsible for other matters relating to the selection and engagement of accounting firms as provided for by laws, regulations, the Articles of Association, and the authorization of the board of directors.

Article 15 Where the board of directors disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of external auditors, the Company shall include in the Corporate Governance Report a statement from the Audit Committee setting out its recommendations and the reasons for which the board holds a different opinion.

Article 16 The Audit Committee may, if necessary, engage an intermediary or other external parties with relevant experience and expertise to attend its meetings or provide professional advice on its decision-making with reasonable cost to be borne by the Company.

Article 17 The chairman of the Audit Committee shall, at the invitation of the chairman of the board of directors, or in the absence of the chairman of the Audit Committee, appoint another member of the Committee or his/her authorized representative to attend Company's annual shareholders' meetings and answer questions raised during the meeting.

Article 18 The Audit Committee should make available its terms of reference, explaining its role and the authority delegated to it by the board of directors by including them on the websites of the Hong Kong Stock Exchange and the Company.

Article 19 The Audit Committee is accountable to the board of directors. The proposals falling within the terms of reference of the Audit Committee shall be considered and approved by the Audit Committee and a work report shall be formed before being submitted by the Audit Committee to the board of directors for consideration.

Article 20 The primary duties of the chairman of the Audit Committee are as follows:

(I) to convene and preside over regular meetings of the Audit Committee;

(II) to convene extraordinary meetings of the Audit Committee under exceptional circumstances;

(III) to supervise and review the implementation of resolutions of the Audit Committee;

(IV) to submit a written report to the board of directors on the work and findings of the Audit Committee regularly, at least once a year;

(V) to attend annual shareholders' meetings of the Company and be prepared to answer any shareholder's questions in relation to the duties of the Audit Committee. Where the chairman of the Audit Committee is unable to attend the Company's annual shareholders' meeting, the chairman of the Audit Committee must arrange for another member of the Audit Committee (who must be an independent non-executive director) to attend the meeting. The member so arranged by the chairman of the Audit Committee shall be prepared to answer shareholders' questions regarding the work of the Audit Committee at the annual shareholders' meeting.

(VI) other duties as delegated by the board of directors and the Audit Committee.

Article 21 When the chairman of the Audit Committee is unable to perform his/her duties for any reason, he/she shall delegate another member to perform the duties on his/her behalf.

Chapter IV Power

Article 22 The Audit Committee has the right to seek adequate administrative support from the senior management of the Group for performing its duties and has separate and independent access to senior management of the Group.

Article 23 Senior management are expected to support the work of the Audit Committee with the utmost integrity and ensure that the Audit Committee is provided, in a timely manner, with sufficient and appropriate information relating to the Group's operations, business and condition as may be necessary for the discharge of its duties. The Audit Committee has the right to request any member and employee of the senior management of the Group to promptly respond to queries raised by any member of the Audit Committee as comprehensive as possible. The information offered to the Audit Committee shall be accurate and complete, and its format and quality shall be appropriate and sufficient to allow the Committee to make decisions accordingly.

Article 24 The Audit Committee has the authority, on its own initiative or at the request of the board of directors, to conduct investigations into major internal control matters, review the Group's operational, financial and accounting policies and practices, and study the findings and the responses of senior management, and report to the board of directors the results of such investigations or reviews and its recommendations.

Article 25 The members of the Audit Committee may, where appropriate, make reasonable requests to seek independent professional advice for their decision-making, and the relevant costs shall be borne by the Group. Where consultation with external advisers is required, such consultation shall be commissioned by the chairman of the Audit Committee and the advice shall be submitted directly to the Audit Committee (independently of senior management).

Chapter V Terms of Reference for the Audit Committee

Article 26 The Audit Committee shall meet at least once every quarter, and may convene an extraordinary meeting on the proposal of two or more members, or when the convenor deems it necessary. The quorum of an Audit Committee meeting shall be over two-thirds of the members.

Article 27 The members of the Audit Committee shall have the right to propose the convening of meetings, which shall be convened by the chairman within ten days upon receipt of the proposal and notify all members three days before the convening of the meeting. A meeting may also be convened at any time with unanimous consent by all members.

Article 28 The meeting materials for the Audit Committee shall be circulated to its members together with the notice of the meeting. Prior to the meeting, the members shall read the meeting materials thoroughly.

Article 29 The meetings of the Audit Committee shall be presided over by the chairman. Where the chairman is unable to preside over the meeting, it may also be presided over by another member, who is an independent director, or by a member elected by more than half of all committee members present at the meeting.

Article 30 The quorum of a meeting of the Audit Committee shall be two-thirds or more of the members. Each member has one vote. A resolution of the meeting must be passed by more than half of all members.

Article 31 The voting at the meetings of the Audit Committee shall be carried out by show of hands or by poll. The meeting may also be convened by telecommunication means.

Article 32 The secretary of the board of directors shall attend the meetings of the Audit Committee. Other directors and senior management members of the Company may be invited to attend the meetings when necessary.

Article 33 Any member who is interested in any resolution considered at the meetings of the Audit Committee and his/her associates shall abstain from attending the meetings.

Article 34 All members present at the meeting are obliged to keep all matters discussed at the meeting confidential, and shall not disclose the relevant information without authorization.

Article 35 Members of the Audit Committee shall attend meetings in person and express clear opinions on the matters under review. If a member is unable to attend in person, he/she may authorize another member to attend and express opinions on his/her behalf by submitting a written proxy signed by the authorizing member. The proxy shall specify the scope and duration of the authorization. Each member may accept authorization from no more than one other member. If any member (being an independent non-executive director) is unable to attend the meeting in person, he/she shall authorize another member (being an independent non-executive director) to attend on his/her behalf.

Article 36 The convening procedures and voting methods of the meetings of the Audit Committee as well as resolutions passed thereat must comply with the provisions of relevant laws and regulations, the Articles of Association and these terms of reference.

Article 37 Full records of the meetings of the Audit Committee shall be kept. Minutes of the meetings shall sufficiently record the matters considered and decisions reached by the Audit Committee and auditors in detail, including any concerns raised by the directors or dissenting views expressed. Draft and final versions of minutes should be sent to all members of the Committee for their comments and records respectively, in both cases within a reasonable period of time after the meeting. The minutes shall be signed by members present at the meetings and the recorder. The minutes shall be maintained by the secretary of the board of directors for a period of not less than ten years.

Article 38 The resolutions passed and the results of a poll taken at meetings of the Audit Committee shall be reported in writing to the board of directors of the Company. The company secretary shall circulate the minutes of the meetings and report of the Audit Committee to all members of the board of directors.

Article 39 The Audit Committee shall regularly report to the board of directors on matters set out in these terms of reference, including the work performed, unless those committees are restricted by legal and regulatory restriction and cannot report.

Article 40 The Audit Committee shall upload these terms of reference to the websites of The Stock Exchange of Hong Kong Limited and the Company, in order to explain its role, duties and authority as delegated by the Board.

Chapter VI Supplementary Provisions

Article 41 The term "more than", "over" or "or more" mentioned in these terms of reference includes the original number.

Article 42 Unless otherwise specified, terms used in these terms of reference shall have the same meanings as those ascribed to them in the Company's Articles of Association (and its amendments) as applicable upon the completion of the Company's initial public offering and listing of H shares.

Article 43 Any matters not covered by these terms of reference shall be implemented in accordance with the relevant national laws, regulations, normative documents, the Articles of Association (and its amendments) as applicable upon the completion of the Company's initial public offering and listing of H shares and the rules of the securities regulatory authorities of the place where the Company's shares are listed. Where these terms of reference are inconsistent with the relevant laws, regulations, normative documents, the Articles of Association (and its amendments) as applicable upon the completion of the Company's initial public offering and listing of H shares and the rules of the securities regulatory authorities of the place where the Company's shares are listed, the relevant laws, regulations, normative documents, the Articles of Association (and its amendments) as applicable upon the completion of the Company's initial public offering and listing of H shares and the rules of the securities regulatory authorities of the place where the Company's shares are listed shall prevail. If these terms of reference contravene any laws, regulations, normative documents, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association (and its amendments) as applicable upon the completion of the Company's initial public offering and listing of H shares issued by the state in the future, such national laws, regulations, normative documents, the Articles of Association (and its amendments) as applicable upon the completion of the Company's initial public offering

and listing of H shares and the securities regulatory rules of the place where the Company's shares are listed shall prevail, and these terms of reference shall be promptly amended and reported to the board of directors for consideration and approval.

Article 44 These terms of reference shall take effect from the date of approval by the board of directors. Following such approval by the board of directors, these terms of reference specifically apply to the listed Company, the Hong Kong Listing Rules or the securities regulatory rules of the place where the Company's shares are listed shall remain temporarily ineffective prior to the listing and trading of the Company's publicly issued H shares on the Main Board of the Hong Kong Stock Exchange, and shall take effect and come into force from the date on which the Company's publicly issued H shares are listed and traded on the Main Board of the Hong Kong Stock Exchange.

Article 45 The amendments to these terms of reference shall be proposed by the Audit Committee in the form of a draft amendment and submitted to the board of directors for consideration and approval.

Article 46 These terms of reference shall be interpreted by the board of directors of the Company.

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