

Guangdong Dtech Technology Co., Ltd.

Terms of Reference for the Audit Committee

CHAPTER I GENERAL PROVISIONS

Article 1 In order to strengthen the decision-making function of the board of directors of Guangdong Dtech Technology Co., Ltd. (the “Company”), achieve pre-audit and professional audit, ensure effective supervision of the management by the board of directors, and improve the corporate governance structure, the Company has established the Audit Committee of the board of directors and formulated these Terms of Reference in accordance with the Company Law of the People’s Republic of China, the Administrative Measures for Independent Directors of Listed Companies, the Code of Corporate Governance for Listed Companies, the Guidelines for the Articles of Association of Listed Companies, the Self-Regulatory Supervision Guidelines for Listed Companies on the Shenzhen Stock Exchange No. 2 — Standardized Operation of Companies Listed on the ChiNext Board, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules of SEHK”), and other laws, regulations, and normative documents, as well as the Articles of Association of Guangdong Dtech Technology Co., Ltd. (the “Articles of Association”) and the Working System for Independent Directors of Guangdong Dtech Technology Co., Ltd.

Article 2 The Audit Committee of the board of directors is a specialized working body established by the board of directors in accordance with resolutions of the shareholders’ meeting. The board of directors of the Company shall establish an Audit Committee to exercise the powers and functions of the board of supervisors as prescribed by the Company Law, and it is primarily responsible for the communication, supervision, and verification of the internal and external audits of the Company.

CHAPTER II COMPOSITION

Article 3 The Audit Committee shall consist of three directors; members of the Audit Committee shall be directors who do not hold senior management positions in the Company; and independent directors shall constitute more than half of the members.

Article 4 The members of the Audit Committee shall be nominated by the chairman of the board of directors, more than one-half of the independent directors or more than one-third of all directors, and elected by the board of directors.

Article 5 The Audit Committee shall have a chairman (convener), who shall be an independent director with professional qualifications in accounting and shall be responsible for presiding over the work of the Committee. The chairman shall be elected from among the members and the appointment shall be subject to the approval of the board of directors. The chairman shall possess professional experience related to accounting or financial management.

Article 6 The term of office of the Audit Committee shall be consistent with the term of office of the board of directors, and members may serve consecutive terms if re-elected. If during the term, any member ceases to serve as a director of the Company, he or she shall automatically lose his or her membership, and the Committee shall fill the vacancy in accordance with Articles 3 to 5 above.

Article 7 The Audit Committee shall have an audit department as its day-to-day working body, which shall be responsible for daily work liaison and meeting organization, etc.

CHAPTER III RESPONSIBILITIES AND POWERS

Article 8 The Audit Committee is responsible for reviewing the financial information of the Company and its disclosure, proposing, handling, supervising and evaluating internal and external audit work and internal control. The Audit Committee is responsible for the integrity of the financial statements, annual reports and accounts, interim reports and (if proposed to be published) quarterly reports of the Company, and for reviewing significant financial reporting judgements contained in the statements and reports. The following matters shall be submitted to the board of directors for consideration after the approval of more than half of all members of the Audit Committee:

- (I) to disclose financial information in financial accounting reports and periodic reports, and internal control evaluation reports;
- (II) to provide recommendations to the board of directors and approve the engagement, replacement or dismissal of the accounting firm undertaking the audit business of the Company;
- (III) appointment or dismissal of the head of finance of the Company;
- (IV) change of accounting policies, accounting estimates, or correction of significant accounting errors due to reasons other than changes in accounting standards;
- (V) other matters required by laws, administrative regulations, the rules of China Securities Regulatory Commission and the Articles of Association.

In addition, 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) major judgmental areas;
- (III) material adjustments made as the result of an audit;
- (IV) the going concern assumption and any qualified opinions;
- (V) compliance with accounting standards; and

(VI) whether the Listing Rules of SEHK and legal requirements in relation to financial reporting have been complied with;

In respect of the review of the aforesaid financial information:

- (I) Members of the Committee shall liaise with the board of directors and senior management; the Committee must meet with the auditors at least twice a year;
- (II) The Committee should consider any significant or unusual matters that are, or may need to be, reflected in such reports and accounts, and should give due consideration to any matters that have been raised by the issuer's staff responsible for the accounting and financial reporting function, compliance officer or auditors; and oversee the Company's financial reporting system, risk management and internal control systems;
- (III) to review the Company's financial controls, and risk management and internal control systems;
- (IV) to discuss the risk management and internal control systems with the management and ensure that the management has discharged its duties to have effective systems. The discussion shall include the adequacy of the issuer's resources, the qualification and experience of staff in respect of the accounting and financial reporting functions, and whether the training courses received by the staff and the relevant budget are sufficient;
- (V) proactively or upon the appointment of the board of directors, conduct research on important investigation results related to risk management and internal monitoring matters, as well as the management's response to the investigation results;
- (VI) where the Company has an internal audit function, to ensure co-ordination between the internal and external accounting firms, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness;
- (VII) to review the Audit Explanation Letter provided by the external accounting firms to the management, any significant questions raised by the accounting firms regarding accounting records, financial accounts, or monitoring systems, and the management's response;
- (VIII) to ensure that the board of directors will provide a timely response to the issues raised in the external auditors' Audit Explanation Letter;
- (IX) to report to the board of directors on relevant matters; and
- (X) to study other matters as defined by the board of directors.

Article 9 The duties of the Audit Committee in proposing or handling, supervising and evaluating the work of external auditors shall at least include the following aspects:

- (I) to assess the independence and professionalism of the external auditors, in particular the impact on independence from non-audit services provided by the external auditors;
- (II) to make recommendations to the board of directors on the appointment, reappointment or removal of the external auditors;
- (III) to review and approve the audit fees and terms of engagement of the external auditors;
- (IV) to handle any issues regarding the resignation or dismissal of the external auditors;
- (V) to discuss and communicate with the external auditors on the audit scope, audit plan, audit methodology and major issues found in the audit;
- (VI) to supervise and evaluate whether the external auditors are diligent and responsible, and to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit procedures in accordance with applicable standards; the Audit Committee should discuss the nature and scope of the audit and the related reporting obligations with the auditors before the commencement of the audit work;
- (VII) to develop and implement policy on engaging external auditors to supply non-audit services. For the purpose of this provision, “external auditors” includes any entity that is under common control, ownership or management with the auditors or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the auditors nationally or internationally. The Audit Committee should report to the board of directors, identifying and making recommendations on any matters where action or improvement is needed.

Article 10 The Audit Committee shall hold at least one meeting a year with the external auditors without the presence of management members; members of the Audit Committee who hold positions as senior management shall recuse himself/herself.

Article 11 The Audit Committee is responsible for overseeing the issuer’s financial reporting system, risk management and internal control systems. Its specific duties include, but are not limited to, the following:

- (I) to review the Company’s financial controls, and risk management and internal control systems;
- (II) to discuss the risk management and internal control systems with the management and ensure that the management has discharged its duties to have effective systems. The discussion shall include the adequacy of the issuer’s resources, the qualification and experience of staff in respect of the accounting and financial reporting functions, and whether the training courses received by the staff and the relevant budget are sufficient;

- (III) proactively or upon the appointment of the board of directors, to conduct research on important investigation results related to risk management and internal monitoring matters, as well as the management's response to the investigation results;
- (IV) to ensure coordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and review and monitor its effectiveness;
- (V) to review the Company's financial and accounting policies and practices;
- (VI) to review the Audit Explanation Letter provided by the external auditors to the management, any significant questions raised by the accounting firms regarding accounting records, financial accounts, or monitoring systems, and the management's response;
- (VII) to ensure that the board of directors provides a timely response to the issues raised in the Audit Explanation Letter from the external accounting firms.

CHAPTER IV DECISION-MAKING PROCEDURES

Article 12 The Audit Department is responsible for the preliminary preparations for the decision-making of the Audit Committee and for providing the following relevant written materials of the Company:

- (I) the relevant financial reports of the Company;
- (II) work reports of internal and external auditors;
- (III) external audit contracts and related work reports;
- (IV) audit reports on material related transactions of the Company;
- (V) Other related matters.

Article 13 The Audit Committee shall, based on the information provided by the Audit Department and its own research findings, deliberate on the following matters and form written resolutions:

- (I) evaluation of the work of, and the appointment and replacement of, the external auditors;
- (II) whether the Company's internal audit system has been effectively implemented, and whether the Company's financial reports are comprehensive and true;
- (III) whether the major related transactions of the Company are in compliance with relevant laws and regulations;
- (IV) work evaluation of the internal finance department and audit department of the Company, including their persons-in-charge;

(V) Other related matters.

CHAPTER V RULES OF PROCEDURE

Article 14 The Audit Committee shall convene a meeting at least once every quarter. An extraordinary meeting may be convened upon the proposal of two or more members, or when the convener deems it necessary.

Article 15 Notice of a meeting shall be delivered to all members three days before the meeting is held, provided that the aforementioned time limit for notice may be waived in cases of special urgency. Meetings of the Audit Committee shall be chaired by the chairman. If the chairman is unable to attend, he/she may delegate another independent director member to chair the meeting.

Article 16 A meeting of the Audit Committee shall be held only if it is attended by more than two-thirds of the members. Each member shall have one vote. Resolutions of the meeting must be passed by more than half of all members.

Article 17 The voting method for meetings of the Audit Committee shall be by a show of hands or by poll; extraordinary meetings may be convened by way of voting by correspondence.

Article 18 Members of the audit department may attend meetings of the Audit Committee as non-voting observers. If necessary, directors and senior management of the Company may also be invited to attend meetings as non-voting observers.

Article 19 If necessary, the Audit Committee may engage intermediary agencies to provide professional advice for its decision-making, and the fees shall be borne by the Company.

Article 20 The convening procedures, voting methods and resolutions passed at meetings of the Audit Committee must comply with the provisions of relevant laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association and these Terms of Reference.

Article 21 Minutes shall be kept of meetings of the Audit Committee. The members attending the meeting shall sign the minutes, which shall be kept by the secretary to the board of directors.

Article 22 Resolutions passed at a meeting of the Audit Committee and the voting results thereon shall be reported to the board of directors of the Company in writing.

Article 23 All persons attending a meeting have a duty of confidentiality with respect to the matters discussed at the meeting and shall not disclose any relevant information without authorisation.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 24 These Terms of Reference shall be considered and approved by the board of directors of the Company and shall come into effect on the date on which the H shares issued by the Company are listed on The Stock Exchange of Hong Kong Limited.

Article 25 Unless otherwise specified, terms used in these Terms of Reference shall have the same meanings as those defined in the Articles of Association. The meaning of “Audit Committee” (審計委員會) in these Terms of Reference is consistent with the meaning of “Audit Committee” (審核委員會) in the Listing Rules of SEHK, “independent directors” in these Terms of Reference include “independent non-executive directors” as defined in the Listing Rules of SEHK, and the meaning of “accounting firm” in these Terms of Reference is consistent with the meaning of “auditors” in the Listing Rules of SEHK.

Article 26 Any matters not covered by these Terms of Reference shall be handled in accordance with the provisions of relevant national laws, regulations, the securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association. In the event that these Terms of Reference conflict with any laws, regulations, or securities regulatory rules of the place where the Company’s shares are listed subsequently promulgated, or with the Articles of Association as amended through due legal process, the provisions of the relevant national laws, regulations, securities regulatory rules of the place where the Company’s shares are listed, and the Articles of Association shall prevail.

Article 27 The board of directors reserves the right to interpret these Terms of Reference.