

Shenzhen Longsys Electronics Co., Ltd.
Terms of Reference of the Audit Committee of the Board of Directors (Draft)
(Applicable after the Issuance and Listing of H Shares)

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to strengthen the decision-making function of the Board of Directors, achieve prior prevention and professional auditing, ensure effective supervision by the Board of Directors over the senior management, and further 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 Measures for the Administration of Independent Directors of Listed Companies, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), the Articles of Association of Shenzhen Longsys Electronics Co., Ltd. (hereinafter referred to as the "Articles of Association") and other relevant laws and regulations.

Article 2 The Audit Committee of the Board of Directors is a specialized working body under the Board of Directors, primarily responsible for reviewing the Company's financial information and its disclosure, supervising and assessing internal and external audit work and internal control, and exercising the powers of the supervisory committee as prescribed by the Company Law. It shall be accountable to the Board of Directors and report its work to the Board of Directors.

CHAPTER 2 COMPOSITION

Article 3 The Audit Committee shall consist of three non-executive directors, including two independent directors. Members of the Audit Committee shall be directors who do not hold senior management positions in the Company. At least one of the members shall be an independent director who possesses the appropriate professional qualifications required under the Hong Kong Listing Rules, or who has appropriate accounting or related financial management expertise.

Article 4 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 the directors, and shall be elected by the Board of Directors.

Article 5 The Audit Committee shall have one chairman, who shall be responsible for convening and presiding over the work of the committee. The chairman shall be an independent director and such independent director shall possess appropriate accounting or related financial management expertise. The chairman shall be directly elected by the Board of Directors. When the chairman (convener) is unable or fails to perform his/her duties, he/she shall designate another member to perform his/her duties on his/her behalf; if the chairman (convener) neither performs his/her duties nor designates another member to perform such duties on his/her behalf, the remaining two members may consult and elect one of them to perform the duties of the chairman (convener) on his/her behalf.

Article 6 The term of office of the Audit Committee shall be the same as that of the Board of Directors. Upon the expiration of their term of office, the members shall be eligible for re-election. If a member no longer serves as a director of the Company due to resignation or for any other reason, his/her qualification as a member shall automatically lapse from the effective date of his/her resignation as a director. The Board of Directors shall fill the vacancy with a new member in accordance with the Articles of Association and these Terms of Reference.

Any member who fails to attend committee meetings in person for two consecutive times and fails to designate another member to attend on his/her behalf shall be deemed to have failed to perform his/her duties, and the Board of Directors shall remove and replace such member.

Where the number of members of the Audit Committee falls below three due to the resignation, removal or other reasons of any member, or where the resignation of a member of the Audit Committee results in the Audit Committee lacking an accounting professional, the existing members shall continue to perform his/her duties until the new member takes office.

CHAPTER 3 DUTIES AND POWERS

Article 7 The main duties and powers of the Audit Committee shall be as follows:

(1) to supervise and assess external audit work, including:

1. supervising and assessing external audit work, making recommendations to the Board of Directors on the engagement, re-appointment and replacement of the external auditor, and handling any issues relating to the resignation or dismissal of such auditor;
2. reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards; the Audit Committee shall discuss with the auditor the nature, scope and relevant reporting responsibilities of the audit before the audit work begins;
3. developing and implementing policies on the engagement of the external auditor to provide non-audit services. For this purpose, “external auditor” includes any entity under common control, ownership or management with the firm responsible for the audit, or any entity that a third party knowing all relevant information would reasonably conclude to be part of the domestic or international business of the firm responsible for the audit. The Audit Committee shall report to the Board of Directors and make recommendations on any matters where it considers that action or improvement is needed;
4. acting as the primary representative between the Company and the external auditor and being responsible for monitoring the relationship between the two;

- (2) to supervise and assess internal audit work, to be responsible for the coordination between internal audit and external audit, to ensure that the internal audit function has adequate resources to operate within the Company and has appropriate standing, and to review and monitor its effectiveness;
- (3) to review and monitor the truthfulness, completeness and accuracy of the Company's financial statements and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant judgments relating to financial reporting contained in the statements and reports, with particular attention to the possibility of fraud, malpractice and material misstatement related to the financial statements and reports. Before submitting the relevant statements and reports to the Board of Directors, the Audit Committee shall specifically review the following matters:
 - 1. any changes in accounting policies and practices;
 - 2. areas involving significant judgments;
 - 3. significant adjustments arising from the audit;
 - 4. the going concern assumptions of the Company and any qualified opinions;
 - 5. compliance with accounting standards; and
 - 6. compliance with the securities regulatory rules of the places where the Company's shares are listed and legal requirements relating to financial reporting;
- (4) with respect to item (3) above:
 - 1. members of the Audit Committee shall liaise with the Board of Directors and senior management; the Audit Committee shall meet with the Company's external auditor at least twice a year; and
 - 2. the Audit Committee shall consider any material or unusual matters reflected or that may need to be reflected in such reports and financial statements, and shall give due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance officers, or external auditors;
- (5) to oversee the Company's financial reporting system, risk management and internal control systems, and to assess the effectiveness of internal control, including:
 - 1. reviewing the Company's financial control, risk management and internal control systems;

2. discussing the risk management and internal control systems with management to ensure that management has performed its duty to establish effective systems. The discussion should include whether the Company has sufficient resources, staff qualifications, and experience in its accounting and financial reporting functions, as well as whether the training programs provided to staff and the related budget are adequate;
 3. proactively, or as delegated by the Board of Directors, examining significant findings related to risk management and internal control matters, as well as management's response to such findings;
 4. where the Company maintains an internal audit function, ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function has sufficient resources to operate within the Company and holds an appropriate standing, and reviewing and monitoring its effectiveness;
 5. reviewing the financial and accounting policies and practices of the Company and its subsidiaries;
 6. reviewing the external auditor's management letter, any material queries raised by the external auditor to management regarding accounting records, financial accounts, or control systems, and management's responses; ensuring that the Board of Directors responds in a timely manner to the matters raised in the external auditor's management letter;
 7. reviewing the Company's arrangements under which employees of the Company can raise concerns, in confidence, regarding potential misconduct in financial reporting, risk management, internal control, or other matters. The Audit Committee shall ensure that appropriate arrangements are in place to enable the Company to conduct fair and independent investigations into such matters and take appropriate action;
- (6) to report to the Board of Directors on matters related to the provisions of the Corporate Governance Code; and to study other issues as defined by the Board of Directors;
 - (7) other matters stipulated by laws, regulations, rules, normative documents, the Articles of Association and these Terms of Reference, matters required by the securities regulatory rules of the jurisdiction where the Company's shares are listed; and other matters authorized by the Board of Directors;
 - (8) to exercise the powers of the Supervisory Committee as prescribed by the Company Law, including inspecting the Company's finances; supervising the performance of duties by Directors and senior management; making recommendations for the removal of Directors and senior management who violate laws, administrative regulations, the Articles of Association or resolutions of the shareholders' meeting; convening and presiding over shareholders' meetings when the Board of Directors fails to perform its duties of convening and presiding over shareholders' meetings; submitting proposals to the shareholders' meeting; and initiating legal proceedings against Directors and senior management in accordance with the law.

Article 8 The Audit Committee of the Board of Directors of the Company is responsible for reviewing the Company's financial information and its disclosure, and supervising and assessing internal and external audit work and internal control. 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:

- (1) disclosure of financial information in financial and accounting reports and periodic reports, and internal control evaluation reports;
- (2) engagement or dismissal of the accounting firm that undertakes the Company's audit business;
- (3) appointment or dismissal of the Company's financial controller;
- (4) changes in accounting policies or accounting estimates or corrections of material accounting errors for reasons other than changes in accounting standards;
- (5) other matters stipulated by laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

Article 9 The Audit Committee shall be accountable to the Board of Directors, and proposals of the committee shall be submitted in writing to the Board of Directors for consideration and decision.

Article 10 The Audit Committee shall review the Company's financial and accounting reports, express opinions on the truthfulness, accuracy, and completeness of such reports, focus on significant accounting and auditing issues in the Company's financial and accounting reports, pay particular attention to the possibility of fraud, misconduct, or material misstatements related to the financial and accounting reports, and oversee the rectification of issues identified in the financial and accounting reports.

When making recommendations to the Board of Directors on the engagement or replacement of the external auditor and reviewing the audit fees and engagement contracts of the external auditor, the Audit Committee shall not be subject to undue influence from the Company's major shareholders, actual controllers, directors, or senior management. The Audit Committee shall urge the external auditor to act with honesty and integrity, diligence and responsibility, strictly comply with professional rules and industry self-regulatory standards, strictly implement internal control systems, verify and validate the Company's financial and accounting reports, fulfill its duty of special care, and issue professional opinions with due prudence.

Article 11 Where any Director or senior management of the Company discovers that the financial and accounting reports published by the Company contain false records, misleading statements or material omissions and reports the same to the Board of Directors or the Audit Committee, or where the sponsor, independent financial adviser or external auditor points out to the Board of Directors or the Audit Committee that the Company's financial and accounting reports contain false records, misleading statements or material omissions, the Board of Directors shall promptly report to the Shenzhen Stock Exchange and make disclosure.

Where the Company discloses relevant information pursuant to the preceding paragraph, it shall disclose in the announcement the material issues existing in the financial and accounting reports, the consequences that have already occurred or may occur, and the measures that have been or will be taken.

The Audit Committee of the Company shall urge the relevant departments of the Company to formulate corrective measures and a timeline for rectification, conduct follow-up reviews, supervise the implementation of the corrective measures, and promptly disclose the status of the rectification.

Article 12 When guiding and supervising the work of the internal audit department, the Audit Committee shall perform the following main duties:

- (1) guiding and supervising the establishment and implementation of the internal audit system;
- (2) reviewing the Company's annual internal audit work plan;
- (3) overseeing the implementation of the Company's internal audit plan;
- (4) guiding the effective operation of the internal audit department; the Company's internal audit department shall report its work to the Audit Committee, and all types of audit reports, rectification plans for audit issues and rectification status submitted by the internal audit department to management shall be submitted concurrently to the Audit Committee;
- (5) reporting to the Board of Directors on the progress and quality of internal audit work, as well as any material issues identified;
- (6) coordinating the relationship between the internal audit department and external audit institutions such as accounting firms and national audit agencies.

Article 13 The internal audit department shall perform the following main duties:

- (1) inspecting and assessing the completeness, reasonableness and effectiveness of implementation of the internal control systems of the Company's internal departments, controlled subsidiaries, and equity-invested companies that have a significant impact on the Company;
- (2) auditing the accounting materials and other relevant economic data of the Company's internal departments, controlled subsidiaries, and equity-invested companies that have a significant impact on the Company, as well as the legality, compliance, accuracy, and completeness of the financial revenues and expenditures and related economic activities reflected therein, including but not limited to financial reports, performance forecasts, preliminary performance reports and voluntarily disclosed forward-looking financial information;

- (3) assisting in the establishment and improvement of anti-fraud mechanisms, identifying key areas, critical stages, and primary components of anti-fraud efforts, and paying attention to and examining potential fraudulent activities during the internal audit process;
- (4) reporting to the Board of Directors or the Audit Committee at least once every quarter, covering, but not limited to, the implementation status of the internal audit plan and issues identified during internal audit work;
- (5) actively cooperating with the Audit Committee in communicating with external audit institutions such as accounting firms and national audit agencies, and providing necessary support and collaboration.

Article 14 The internal audit department shall submit an internal audit report to the Board of Directors or the Audit Committee at least once a year.

In respect of internal control deficiencies identified during the audit process, the internal audit department shall urge the relevant departments to formulate corrective measures and establish a timeline for implementation, conduct follow-up reviews of internal control, and oversee the implementation of such corrective measures.

Should the internal audit department identify material deficiencies or material risks in internal control during the audit process, it shall promptly report such findings to the Board of Directors or the Audit Committee.

Article 15 The Audit Committee shall oversee the internal audit department in conducting an inspection of the following matters at least once every half year, issuing an inspection report, and submitting it to the Audit Committee. Should the inspection reveal that the Company has violated laws or regulations, or that its operations are non-compliant, the Audit Committee shall promptly report such findings to the Shenzhen Stock Exchange and urge the Company to disclose them to the public:

- (1) the implementation of major events such as the use of the Company's proceeds, provision of guarantees, related party (connected) transactions, high-risk investments (including securities investments and derivatives trading), provision of financial assistance, purchase or sale of assets, and external investments;
- (2) the Company's large-scale fund transfers, as well as fund transfers with directors, senior management, controlling shareholders, actual controllers, and their related parties.

The Audit Committee shall issue a written assessment of the effectiveness of the Company's internal control based on the internal audit reports and related materials submitted by the internal audit department, and report such assessment to the Board of Directors. Where the Board of Directors or the Audit Committee considers that there are material deficiencies or material risks in the Company's internal control, or where the sponsor, independent financial adviser or accounting firm points out that there are material deficiencies in the effectiveness of the Company's internal control, the Board of Directors shall promptly report such matters to the Shenzhen Stock Exchange and make disclosure. The Company shall disclose in an announcement any material deficiencies or material risks in its internal control, the consequences that have already occurred or may occur, and the measures that have been or will be taken.

Article 16 The Board of Directors of the Company or its Audit Committee shall issue an annual internal control evaluation report based on the evaluation report and relevant materials provided by the internal audit department. The internal control evaluation report shall include, at a minimum, the following:

- (1) a statement by the Board of Directors regarding the accuracy of the internal control report;
- (2) an overview of the internal control evaluation process;
- (3) the basis, scope, procedures and methods of the internal control evaluation;
- (4) existing internal control deficiencies and their identification;
- (5) the status of corrective actions taken regarding internal control deficiencies from the previous year;
- (6) proposed corrective measures to address internal control deficiencies for the current year;
- (7) a conclusion regarding the effectiveness of internal control.

CHAPTER 4 WORKING PROCEDURES

Article 17 The Audit Department of the Company shall be responsible for the preparatory work before meetings of the Audit Committee, and shall be responsible for collecting and providing the following relevant written materials; however, where sensitive information that has not yet been disclosed by the Company is involved, such information shall be provided directly by the Board Office to the Audit Committee:

- (1) internal and external audit work reports;
- (2) the Company's financial reports and other information;
- (3) audit, valuation and other reports from professional institutions relating to the Company's major connected transactions (if any);
- (4) other relevant matters.

Article 18 On the basis of the relevant materials provided by the Company, the Audit Committee shall, at its meetings, deliberate on matters within the scope of its duties. For matters that the Audit Committee considers necessary to form written opinions or resolutions, the relevant written materials shall be submitted to the Board of Directors together therewith.

CHAPTER 5 RULES OF PROCEDURE

Article 19 Meetings of the Audit Committee are classified as regular meetings and extraordinary meetings. Regular meetings shall be held at least once every quarter in each accounting year, and notice shall be given to all members three days prior to the meeting. Where an extraordinary meeting needs to be convened due to urgent circumstances, notice may be given by means of communication, email or facsimile, provided that at least two-thirds of the members of the Audit Committee attend the meeting, and the notice period for the meeting shall not be subject to the aforementioned restriction. The meeting shall be presided over by the chairman of the committee (the convener); if the chairman of the committee (the convener) is unable to attend, he/she may entrust another member (an independent director) to preside over the meeting.

Article 20 Meetings of the Audit Committee shall only be held when at least two-thirds of the members are present; each member shall have one vote; resolutions of the meeting must be passed by a majority of all members. Members present at the meeting shall sign the resolutions of the meeting.

Article 21 Voting at meetings of the Audit Committee shall be by a show of hands or by poll; meetings may also be held by means of communication voting.

Article 22 The head of the Audit Department may attend meetings of the Audit Committee. The committee may, when necessary, invite directors and senior management of the Company to attend the meetings.

Article 23 Where necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, and the expenses shall be borne by the Company.

Article 24 Minutes shall be kept for meetings of the Audit Committee, and the members attending the meeting shall sign the minutes; the minutes shall be kept by the secretary to the Board of Directors of the Company for a period of not less than 10 years. Complete minutes of the Audit Committee shall be kept by a formally appointed committee secretary (usually the company secretary). Draft and final versions of the minutes shall be sent to all members of the Committee within a reasonable time after the meeting, with the draft for members to express their views and the final version for their records.

Article 25 The procedures for convening meetings of the Audit Committee, the voting methods and the resolutions passed at the meetings must comply with the relevant laws, regulations, the securities regulatory rules of the places where the Company's shares are listed, the Articles of Association and these Terms of Reference.

Article 26 The resolutions passed at meetings of the Audit Committee and the voting results shall be reported to the Board of Directors in writing.

Article 27 All members present at meetings of the Audit Committee and attendees shall have an obligation of confidentiality in respect of the matters discussed at the meeting and shall not disclose relevant information without the authorization of the Board of Directors of the Company.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 28 For those matters which have not been covered in these Terms of Reference, such matters shall be implemented in accordance with the relevant national laws, regulations, normative documents, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association. In the event of any conflict between these Terms of Reference and any laws or regulations subsequently promulgated by the State, the securities regulatory rules of the places where the Company's shares are listed, or the Articles of Association as amended through lawful procedures, the relevant national laws, regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association shall prevail, and these Terms of Reference shall be immediately amended and submitted to the Board of Directors for consideration and approval.

Article 29 For the purpose of these Terms of Reference, the term "independent director" has the same meaning as "Independent Non-Executive Director" under the Hong Kong Listing Rules. Independent directors shall also meet other independence requirements under the Hong Kong Listing Rules and the securities regulatory rules of the places where the Company's shares are listed.

Article 30 These Terms of Reference shall be formulated, amended and interpreted by the Board of Directors of the Company.

Article 31 Upon being considered and approved by the Board of Directors, these Terms of Reference shall come into effect and be implemented from the date on which the Company's overseas listed foreign shares (H Shares) are issued and listed on the Main Board of 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 of Directors (2025 Revision) shall automatically cease to be effective.

Shenzhen Longsys Electronics Co., Ltd.
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