

**Direct Drive Tech Limited**  
本末動力(北京)科技股份有限公司

**Terms of Reference of the Audit Committee**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** To improve the corporate governance of Direct Drive Tech Limited (the “**Company**”) and regulate the operation of the Audit Committee of the Board of Directors of the Company, the Company has established the Audit Committee and formulated these terms of reference (the “**Terms of Reference**”) in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the Articles of Association of Direct Drive Tech Limited (the “**Articles of Association**”).

**Article 2** The Audit Committee is a specialized committee established under the Board, and its principal functions are to review the Company’s financial position and financial information, assess the truthfulness, completeness and accuracy of its financial information, review the implementation and effectiveness of its internal control systems, take primary responsibility for communication with, and the supervision and review of, the Company’s external auditor, oversee its internal audit function, evaluate and improve its internal control systems and make recommendations in this regard, and conduct risk assessments of major investment projects being undertaken by the Company. The Audit Committee shall report its work to the Board.

**Article 3** To regulate the Company’s corporate governance, strengthen supervision over the Board and senior management, systematically manage risks and opportunities relating to environmental, social and governance (“**ESG**”) matters and promote sustainable development, the Audit Committee shall be responsible for overseeing the Company’s ESG matters. Its principal responsibilities shall include studying the Company’s environmental, social and corporate governance matters and making recommendations thereon. The Audit Committee shall report its work to, and be accountable to, the Board.

**CHAPTER 2 COMPOSITION**

**Article 4** The Audit Committee shall comprise three Directors, all of whom shall be non-executive Directors, with a majority being independent non-executive Directors. At least one independent non-executive Director shall be an accounting professional and satisfy the requirements under the Hong Kong Listing Rules that at least one independent non-executive Director must possess appropriate professional qualifications or appropriate accounting or related financial management expertise.

A former partner of the Company’s existing external auditor shall not serve as a member of the Audit Committee for a period of two years from the date on which the person ceased to be a partner of the external auditor or ceased to have any financial interest in the external auditor, whichever is later.

**Article 5** Members of the Audit Committee shall be nominated by the chairman of the Board or the Audit Committee and elected by the Board with the approval of more than half of all Directors. Upon approval of a proposal for the election of a member, the newly elected member shall assume office immediately after the conclusion of the relevant Board meeting.

**Article 6** The Audit Committee shall have one convenor, who shall also serve as the chairman of the Audit Committee. The chairman of the Audit Committee shall be an independent non-executive Director appointed by the Board and shall be responsible for presiding over the work of the Audit Committee. If the chairman of the Committee is unable or fails to perform his or her duties, at least half of the members shall jointly designate an independent non-executive Director to perform such duties on his or her behalf.

**Article 7** The term of office of the members of the Audit Committee shall be the same as that of the Directors serving on the Board. A member may be re-elected upon the expiration of his or her term of office. If, during his or her term of office, a member ceases to serve as a Director of the Company, or a member who is required to be an independent non-executive Director ceases to satisfy the independence requirements prescribed by the Articles of Association and the Hong Kong Listing Rules, that member shall automatically cease to be qualified as a member of the Committee. A member of the Audit Committee may resign from the Committee before the expiration of his or her term of office by submitting a written resignation report to the Board. The resignation report shall include the necessary explanations of the reasons for the resignation and any matters that require the attention of the Board. After a member of the Audit Committee ceases to be qualified or is permitted to resign, the Board shall appoint a replacement to restore the required number of members in accordance with the applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules and Articles 4 to 6 above. The term of office of a replacement member shall expire upon the expiration of his or her term of office as a Director or an independent non-executive Director. Before the expiration of a member's term of office, the member shall not be removed without cause unless any circumstance under which the member is disqualified from holding office as prescribed by the Company Law, the Articles of Association or the Hong Kong Listing Rules arises.

**Article 8** Members of the Audit Committee shall possess the professional knowledge, work experience and decision-making capabilities necessary to discharge their ESG management responsibilities. Persons with knowledge and experience in finance, law, risk management or ESG-related fields are encouraged to join and shall be given priority for appointment as members of the Audit Committee.

**Article 9** Except for remuneration received in their capacity as Directors and reimbursement of expenses incurred, members of the Audit Committee shall not, directly or indirectly, receive from the Company any consulting, advisory or other remuneration in their capacity as members of the Audit Committee.

## CHAPTER 3 DUTIES AND POWERS

**Article 10** The Audit Committee shall exercise the powers and functions of the supervisory committee prescribed under the Company Law in accordance with the Articles of Association.

**Article 11** The Audit Committee shall make its terms of reference available on the websites of The Stock Exchange of Hong Kong Limited and the Company, explaining its role and the authority delegated to it by the Board. The specific duties of the Audit Committee shall include:

- (1) overseeing and evaluating the work of the external auditor, making recommendations to the Board on the appointment, reappointment, replacement and removal of the external auditor, making recommendations to the Board on the remuneration and terms of engagement of the external auditor, and addressing any issues relating to the resignation of the external auditor or the Board's decision to dismiss the external 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 external auditor the nature and scope of the audit and the relevant reporting obligations before the audit commences;
- (3) developing and implementing policies on engaging the external auditor to provide non-audit services. For the purposes of this provision, "external auditor" includes any entity that is under the same control, ownership or management as the firm responsible for the audit, or any entity that a third party with knowledge of all relevant information would reasonably conclude to be part of the local or international business of the firm responsible for the audit. The Audit Committee shall report to the Board and make recommendations on any measures or improvements that it considers necessary;
- (4) overseeing and evaluating the internal audit work, including, without limitation, reviewing the Company's annual internal audit work plan, monitoring the implementation of the internal audit plan, reviewing internal audit work reports, evaluating the results of internal audit work, monitoring the rectification of material issues, directing and supervising the effective operation of the internal audit department, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and making recommendations on the appointment and removal of the head of the Company's internal audit department;

- (5) reviewing and monitoring the truthfulness, completeness and accuracy of the Company's financial statements, annual reports and accounts, interim reports and quarterly reports, reviewing material opinions on financial reporting contained in such statements and reports, and paying particular attention to the possibility of fraud, misconduct or material misstatements relating to such financial statements and reports. In doing so, when submitting the relevant statements and reports to the Board, the Audit Committee shall review, in particular, the following matters:
- (i) any changes in accounting policies and practices;
  - (ii) matters involving significant judgments;
  - (iii) material adjustments resulting from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting standards;
  - (vi) compliance with the securities regulatory rules of the place where the Company's shares are listed and the legal requirements relating to financial reporting.
- (6) evaluating the effectiveness of internal controls and reviewing and monitoring the effective operation of the Company's financial reporting, internal control systems and risk management systems, including, without limitation:
- (i) reviewing the Company's financial controls, internal control systems and risk management systems;
  - (ii) discussing the risk management and internal control systems with management to ensure that management has discharged its duty to establish effective systems. The discussion shall include the adequacy of the Company's resources, staff qualifications and experience for its accounting and financial reporting functions, and the adequacy of the training programs provided to staff and the related budgets;
  - (iii) overseeing the effective implementation of internal controls and self-assessments of internal controls, coordinating internal control audits, supervising the rectification of internal control deficiencies and handling other related matters, reviewing the financial and accounting policies and practices of the Company and the Group;

- (iv) reviewing the internal control audit reports issued by the external auditor and communicating with the external auditor regarding identified issues and recommended improvements. The Audit Committee shall, on its own initiative or at the request of the Board, consider material findings from investigations into risk management and internal control matters and management's response to such findings. The Audit Committee shall review the external auditor's management letter, any material queries raised by the external auditor with management regarding the accounting records, financial accounts, risk management or control systems and management's response, and ensure that the Board provides a timely response to the matters raised in the external auditor's management letter;
  - (v) ensuring coordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring the effectiveness of the internal audit function;
  - (vi) reviewing the arrangements established by the Company under which employees of the Company may raise concerns, in confidence, about possible improprieties in financial reporting, 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.
- (7) coordinating communications among management, the internal audit department, other relevant departments and the external auditor, including, without limitation:
- (i) coordinating communications between management and the external auditor regarding material audit issues;
  - (ii) coordinating communications between the internal audit department and the external auditor and assisting with the external audit work;
  - (iii) acting as the principal point of contact between the Company and the external auditor and overseeing their relationship.
- (8) reviewing the Company's accounting policies, financial position and financial reporting procedures;
- (9) reviewing the Company's material connected transactions and major investment activities, including acquisitions and mergers;
- (10) identifying and monitoring the various existing or potential risks faced by the Company and making recommendations thereon;
- (11) reporting to the Board on the matters set out above and other matters set out in code provision D.3.3 of Appendix C1 to the Hong Kong Listing Rules, as amended from time to time, and reporting to the Board on the decisions or recommendations of the Audit Committee;
- (12) exercising the powers and functions of the supervisory committee prescribed under the Company Law;

- (13) handling other matters prescribed by laws, regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association or authorized by the Board, and considering other issues identified by the Board.

For the purposes of paragraph (5) above, members of the Audit Committee shall maintain communication with the Board and the senior management of the Company. The Audit Committee shall meet with the Company's external auditor at least twice a year. The Audit Committee shall consider any material or unusual matters that are, or should be, reflected in the relevant reports and accounts and shall give due consideration to any matters raised by the Company's staff responsible for the accounting and financial reporting functions, compliance officers, supervisory personnel or external auditor. The Audit Committee shall report to the Board and make recommendations on any measures or improvements that it considers necessary.

The Audit Committee shall make its terms of reference available on the websites of the Hong Kong Stock Exchange and the Company, explaining its role and the authority delegated to it by the Board.

## **Article 12 ESG Oversight and Management Responsibilities:**

The Audit Committee shall perform the following oversight and management responsibilities in respect of environmental, social and governance ("ESG") matters:

- (1) Oversight of Strategies and Objectives: reviewing the Company's ESG strategy, medium- and long-term objectives, policies and key issues, overseeing their implementation and making recommendations to the Board.
- (2) Risk and Opportunity Management: overseeing the Company's processes for identifying, assessing, responding to and managing material ESG-related risks and opportunities.
- (3) Review of Reports: reviewing the Company's proposed annual ESG report or sustainability report, ensuring that it complies with relevant standards and frameworks and reflects the Company's actual circumstances, and ensuring that the information disclosed is true, accurate and complete.
- (4) Oversight of System Operations: overseeing the establishment, integration and effective operation of the Company's ESG management system and ensuring that ESG matters are incorporated into the Company's institutional and process management frameworks.
- (5) Resource Coordination: providing guidance and coordinating with management in relation to the resources required for ESG matters and overseeing the progress and implementation of the relevant work.
- (6) Other Matters: performing other ESG-related responsibilities prescribed by laws, administrative regulations, departmental rules or the Articles of Association, or assigned by the Board.

**Article 13** The Audit Committee shall be accountable to the Board, and its proposals shall be submitted to the Board regularly for consideration and decision.

**Article 14** The principal duties and powers of the chairman of the Audit Committee shall be:

- (1) convening and presiding over meetings of the Audit Committee;
- (2) overseeing the day-to-day work of the Audit Committee;
- (3) reviewing, approving and signing reports and other important documents of the Audit Committee;
- (4) reviewing the implementation of the resolutions and recommendations of the Audit Committee;
- (5) reporting to the Board on behalf of the Audit Committee;
- (6) such other duties as the chairman of the Audit Committee is required to perform.

## **CHAPTER 4 WORK PROCEDURES**

**Article 15** The Internal Control and Internal Audit Department, which is responsible for the Company's internal audit function, shall operate under the direct leadership of the Audit Committee and serve as its day-to-day administrative body.

**Article 16** The Internal Control and Internal Audit Department shall undertake the necessary preparatory work for the Audit Committee's decision-making and provide the following written materials relating to the Company:

- (1) relevant financial reports of the Company;
- (2) work reports of the internal and external auditors;
- (3) external audit engagement contracts and related work reports;
- (4) information disclosed by the Company to the public;
- (5) the Company's connected (related party) transaction agreements, audit reports on material connected (related party) transactions and feedback from investigations concerning connected (related) persons;
- (6) financial and legal information relating to major investment projects;
- (7) work reports relating to the Company's internal control systems and their implementation;
- (8) other relevant information.

The Audit Committee shall perform its principal duties under Articles 11 and 12 of these Terms of Reference on the basis of the information provided by its day-to-day administrative body.

**Article 17** The working procedures of the Audit Committee shall be as follows:

- (1) At meetings of the Audit Committee, the Audit Committee shall discuss the internal audit work plan, receive reports on the Company's financial affairs, consider the reports provided by the Internal Control and Internal Audit Department, and review the Company's quarterly financial reports, if any, interim financial reports and annual financial reports. The Audit Committee may make decisions after considering expert opinions from professional institutions and shall submit matters requiring a decision by the Board to the Board for discussion, principally including:
  1. evaluating the work of the external auditor, engaging and replacing the external auditor, and approving the remuneration and terms of engagement of the external auditor;
  2. determining whether the Company's internal control systems and internal audit systems have been effectively implemented and whether the Company's financial reports are comprehensive and truthful;
  3. determining whether the Company's publicly disclosed financial reports and other information are objective and truthful and whether its material connected (related party) transactions comply with the relevant laws and regulations;
  4. evaluating the work of the Company's finance department and its head and the audit department and its head;
  5. other relevant matters.
- (2) During the preparation and disclosure of the Company's annual financial report, the Audit Committee shall comply with the following working rules and procedures:
  1. promptly consulting with the external auditor responsible for auditing the Company's financial report for the relevant year (the "**Annual Auditor**") after the end of the financial year to determine the timetable for the audit work for that financial year;
  2. urging the Annual Auditor to submit the audit report within the agreed time limit;
  3. reviewing the financial statements prepared by the Company before the Annual Auditor commences on-site audit work;
  4. reviewing the Company's financial statements after the Annual Auditor issues its preliminary audit opinion;
  5. convening a meeting of the Audit Committee to review the financial report, making recommendations on the reappointment or replacement of the Annual Auditor for the following year, reviewing and summarizing the work performed by the Annual Auditor's firm in auditing the Company for the current year, and preparing a report thereon.

The chairman of the Audit Committee or, in his or her absence, another member of the Audit Committee who must be an independent non-executive Director shall attend the Company's annual shareholders' meeting and answer questions raised by shareholders concerning the activities and responsibilities of the Audit Committee.

## **CHAPTER 5 RULES OF PROCEDURE**

**Article 18** Meetings of the Audit Committee shall comprise regular meetings and extraordinary meetings.

The Audit Committee shall hold at least two regular meetings each year. Such meetings shall be held before regular meetings of the Board to discuss the opinions and recommendations to be submitted to the Board. At two of its meetings each year, the Audit Committee shall review and discuss the Company's interim and annual financial statements.

The chairman of the Audit Committee may convene an extraordinary meeting on his or her own initiative or at the request of the independent accountant or internal auditor. An extraordinary meeting may also be convened upon the proposal of at least half of the members of the Audit Committee or at the recommendation of the chairman of the Board.

**Article 19** Meetings of the Audit Committee shall be convened by its chairman, who shall issue the notice of meeting. The notice and meeting materials shall be delivered to all members at least three days before the meeting. The requirement regarding the advance notice period may be waived with the unanimous consent of all members.

**Article 20** If the chairman of the Audit Committee is unable to attend a meeting, he or she may appoint another independent non-executive Director to preside over the meeting. The convening of an extraordinary meeting shall not be subject to the notice period specified above.

**Article 21** A meeting of the Audit Committee may be held only if at least two-thirds of its members are present, at least one of whom must be an independent non-executive Director. A member who is unable to attend may appoint another member in writing to attend and vote on his or her behalf. The written authorization shall state the name of the proxy, the matters in respect of which the proxy is authorized to act, the scope of authorization and the period of validity, be signed or sealed by the appointing member, and be submitted to the person presiding over the meeting no later than the commencement of voting at the meeting. A member who neither attends a meeting of the Audit Committee nor appoints a representative to attend shall be deemed to have waived his or her voting right at that meeting. Each member may act as proxy for no more than one other member. If a member who is an independent non-executive Director is genuinely unable to attend a meeting in person, he or she shall appoint another member who is an independent non-executive Director to attend on his or her behalf.

Any resolution adopted at a meeting must be approved by more than half of all members. The relevant resolutions or opinions shall be signed by the members of the Audit Committee attending the meeting. Each member shall have one vote and may vote "for" or "against" a resolution, or abstain from voting. In the event of an equality of votes for and against a resolution, the chairman of the Committee shall have a casting vote.

**Article 22** Meetings of the Audit Committee may be held in person, by telephone conference, video conference, circulation of documents, facsimile, email, or other appropriate means.

**Article 23** The head of the Internal Control and Internal Audit Department may attend meetings of the Audit Committee. Directors, supervisors and members of senior management of the Company may also be invited to attend meetings when necessary, but any person who is not a member of the Audit Committee shall have no right to vote on any proposal considered at the meeting.

**Article 24** The Company shall provide the Audit Committee with sufficient resources to perform its duties. The operating expenses of the Audit Committee shall be included in the Company's budget. When necessary for the performance of its duties, the Audit Committee shall have the right to engage lawyers, certified public accountants, practicing auditors and other professionals to provide it with professional advice for its decision-making, and the reasonable expenses incurred shall be borne by the Company.

**Article 25** The procedures for convening meetings of the Audit Committee, the methods of voting and the proposals approved at such meetings must comply with the applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules, the Articles of Association and these Terms of Reference.

**Article 26** Detailed and complete minutes shall be kept for meetings of the Audit Committee, and the members attending a meeting shall sign the minutes. The minutes shall be properly kept by the secretary to the Board for a period of ten years during the existence of the Company. Draft and final versions of the minutes of each meeting of the Audit Committee shall be sent to all members of the Audit Committee within a reasonable time after the meeting, with the draft provided for their comments and the final version retained for record purposes. After being signed by the members of the Audit Committee attending the meeting, the minutes shall be circulated to all members of the Board. The minutes shall be made available for inspection by any Director at any reasonable time upon reasonable notice. The minutes shall record in sufficient detail the matters considered and decisions reached at the meeting, including any concerns raised or dissenting views expressed by Directors. A resolution of the Audit Committee shall take effect after being signed by the members attending the meeting. No effective resolution of the Committee may be amended or modified other than in accordance with the lawful procedures prescribed by the applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules, the Articles of Association and these Terms of Reference. The proposals approved and the voting results at a meeting of the Committee shall be reported to the Board in writing.

**Article 27** The minutes of a meeting of the Audit Committee shall include at least the following: the date and place of the meeting and the name of the convenor; the names of the attendees, with any person attending on behalf of another person specifically identified; the agenda of the meeting; the key points raised by the members; the voting method and result for each resolution or proposal; and any other matters that should be explained and recorded in the minutes.

**Article 28** The members attending a meeting and other persons present at the meeting shall be under an obligation to keep confidential the matters considered at the meeting and shall not disclose any relevant information without authorization, unless otherwise required by applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules and/or regulatory authorities.

## **CHAPTER 6 RULES ON RECUSAL**

**Article 29** Where a member of the Audit Committee, an immediate family member of such member, or any other enterprise controlled by such member or any of his or her immediate family members has a direct or indirect interest in any matter under consideration at a meeting, the member shall disclose to the Audit Committee, as soon as practicable, the nature and extent of such interest.

**Article 30** In the circumstances described in the preceding Article, the interested member shall provide full particulars of the relevant circumstances at the meeting of the Audit Committee and expressly declare that he or she will recuse himself or herself from voting. Notwithstanding the foregoing, the interested member may participate in the vote if all the other members of the Audit Committee, having considered the matter, unanimously determine that such interest would not materially affect the matter to be voted upon. If the Board considers it inappropriate for the interested member referred to in the preceding paragraph to participate in the vote, the Board may revoke the voting results of the relevant proposal and request a re-vote by the non-interested members.

**Article 31** The Audit Committee shall consider and vote on a proposal without counting any interested member towards the quorum. If, following the recusal of any interested member, the number of members of the Audit Committee present falls below the minimum quorum required for the meeting, all members, including the interested member, shall determine only procedural matters, including whether the proposal should be referred to the Board for consideration. The proposal shall thereafter be considered by the Board.

**Article 32** The minutes and resolutions of the Audit Committee meeting shall state that any interested member was not counted towards the quorum and did not participate in the vote.

## **CHAPTER 7 SUPPLEMENTARY PROVISIONS**

**Article 33** For the purposes of these Terms of Reference, references to “or more” and “within” shall include the stated figure, whereas references to “more than” shall exclude the stated figure.

**Article 34** These Terms of Reference shall, upon consideration and approval by the Board, take effect on the date on which the H shares issued by the Company pursuant to its public offering are listed on The Stock Exchange of Hong Kong Limited.

**Article 35** The power to amend and interpret these Terms of Reference shall be vested in the Board.

**Article 36** Any matters not provided for in these Terms of Reference shall be governed by the applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules, other applicable regulatory rules of the place 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 applicable laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules, other applicable regulatory rules of the place where the Company’s shares are listed, or the Articles of Association, the latter shall prevail.