

Shenzhen Xunce Technology Co., Ltd.

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

Chapter I General Provisions

Article 1 In order to strengthen the decision-making of the Board of Directors of Shenzhen Xunce Technology Co., Ltd. (hereinafter referred to as the “**Company**”), to achieve effective supervision over the Company’s financial income and expenditure and various operating activities, to give full play to the independence and effectiveness of the Company’s internal control system, and to protect the rights and interests of all shareholders and stakeholders, the Company has established the Audit Committee under the Board of Directors (hereinafter referred to as the “**Committee**”) as a specialized institution responsible for the communication, supervision and verification over the Company’s internal and external audits.

Article 2 The Company must provide the necessary working conditions for the Committee, and appoint special personnel or institution to undertake the daily work of the Committee such as work liaison, conference organization, material preparation and file management. When the Committee performs its duties, the Company’s management and relevant departments shall cooperate. In order to ensure the standardized and efficient operation of the Committee, the Company’s Board of Directors has specially formulated these terms of reference in accordance with the “Company Law of the People’s Republic of China” (hereinafter referred to as the “**Company Law**”), “the Code of Corporate Governance for Listed Companies”, the “Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited” (hereinafter referred to as the “**Listing Rules**”), “A Guide for Effective Audit Committee” of Hong Kong Institute of Certified Public Accountants and other relevant laws, regulations and regulatory documents, as well as relevant provisions of the “Articles of Association of Shenzhen Xunce Technology Co., Ltd.” (hereinafter referred to as the “**Articles of Association**”).

Chapter II Composition

Article 3 The Committee shall be composed of at least three directors, and the committee members shall be non-executive directors who do not serve as senior management within the Company, who shall be independent of the daily management and operation of the Company in principle, among whom, the members of the independent non-executive directors shall account for more than half of the total members of the Committee (exclusive of the said number), at least one member shall be an independent non-executive director who possesses the appropriate professional qualifications or appropriate accounting or related financial management expertise as stipulated in Rule 3.10(2) of the Listing Rules, and an independent non-executive director shall serve as the chairman of the Committee. In principle, members of the Committee are independent of the Company’s daily operations and management affairs, and shall have the professional knowledge and business experience to perform the duties of the Committee.

Article 4 The Committee shall have one chairman, he/she shall be an independent non-executive director, and shall preside over the work of the Committee.

Article 5 The chairman and members of the Committee shall be nominated by the chairman of the Board of Directors, more than one-half of the independent non-executive directors or more than one-third of all directors, and shall be elected by the Board of Directors of the Company.

Article 6 The term of office of the Committee shall be equivalent to that of the Board of Directors, and the members shall be eligible to be re-elected upon the expiration of his/her term of office. If any member ceases to act as director or an independent non-executive director of the Company during his/her term of office, or if a member who ought to be an independent non-executive director no longer possesses the independence as required by the Company Law, the Listing Rules and the Articles of Association, he/she shall automatically lose his/her office as a member of the Committee. To make the composition of the Committee in line with the requirements of these terms of reference, the Board of Directors shall fill the vacancy in a timely manner according to Article 5 of these terms of reference, and the term of office for the replacing members shall end when the member's term of office as a director or an independent non-executive director expires. In the case of failure to meet the requirements of Articles 3 to 5 of these terms of reference, the Board of Directors shall, pursuant to the requirements of the Listing Rules, promptly explain by public notice the particulars of and reasons for the failure to meet the relevant requirements, and shall, within three months as of the failure to meet the aforesaid requirements, make a replacement pursuant to Articles 3 to 5 of these terms of reference, and the term of office for a replacing member shall end upon the expiration of his/her term of office as a director.

Article 7 An internal audit department shall be established under the Committee to inspect and supervise the establishment and implementation of the internal control system, the truthfulness and completeness of financial information, etc. The internal audit department shall be responsible for and report to the Committee. The Committee is responsible for supervising and evaluating the internal audit.

Article 8 The secretary of the Board of Directors shall be responsible for liaising day-to-day work and organizing meetings of the Committee.

Chapter III Duties and Authorities

Article 9 The main duties of the Committee are as follows:

- (1) Supervising and evaluating the work of external audit institution;
- (2) Supervising and evaluating the internal audit work;
- (3) Reviewing the financial reports of the Company and expressing opinions thereon;
- (4) Supervising and evaluating the Company's internal control;

- (5) Coordinating the communication among management, internal audit department and relevant departments with external audit institution;
- (6) Other matters authorized by laws and regulations, the Listing Rules, the Articles of Association and the Board of Directors.

The Committee shall report to the Board of Directors and make recommendations on any measures or improvements as it deems necessary.

Article 10 The Committee shall perform the following duties in supervising and evaluating the work of external audit institution:

- (1) Evaluating the independence and professionalism of external audit institution, especially the impact of non-audit services provided by external audit institution on their independence;
- (2) Proposing to the Board of Directors to hire or replace the external audit institution;
- (3) Reviewing the audit fees and service terms of external audit institution;
- (4) Discussing and communicating with the external audit institution on the audit scope, audit plan, audit method and major issues found during the audit;
- (5) Supervising and evaluating whether the external audit institution is diligent and responsible.

The Committee shall convene at least once a year a separate communication meeting with the external audit institution without management participation. The secretary of the Board of Directors may attend such meeting.

Article 11 The Committee shall perform the following duties in overseeing and evaluating the internal audit work:

- (1) Reviewing the annual internal audit work plan of the Company;
- (2) Supervising the implementation of the internal audit plan of the Company;
- (3) Reviewing the internal audit report, evaluating the results of the internal audit work, and supervising the rectification of major issues;
- (4) Guiding the effective operation of the internal audit department.

The Company's internal audit department should report to the Committee. Different kinds of audit reports, rectification plans and rectification status of audit issues submitted by the internal audit department to the management shall also be submitted to the Committee at the same time.

Article 12 The Committee shall perform the following duties in reviewing the financial reports of the Company and expressing opinions thereon:

- (1) Reviewing the financial reports of the Company and giving opinions on the authenticity, completeness and accuracy of the financial reports;
- (2) Focusing on major accounting and auditing issues in the financial reports of the Company, including adjustments on major accounting errors, changes in major accounting policies and estimation, events involving important accounting judgments, and events leading to an audit report of non-standard unqualified audit opinions;
- (3) Paying special attention to whether there are frauds or malpractices relating to the financial reports and the possibility of major misreporting;
- (4) Supervising the rectification of financial reporting issues.

Article 13 The Committee shall perform the following duties in supervising and evaluating the Company's internal control:

- (1) Evaluating the appropriateness of the internal control system design of the Company;
- (2) Reviewing the self-evaluated internal control report;
- (3) Reviewing the internal control audit report issued by the external audit institution, and communicate with the external audit institution on problems discovered and improvement methods;
- (4) Evaluating the results of internal control evaluation and audit, and supervise the rectification of internal control defects.

Article 14 The Committee shall perform the following duties in coordinating the communication among management, internal audit department and relevant departments with external audit institution:

- (1) Coordinating management's communication with the external audit institution on major audit issues;
- (2) Coordinating the communication between the internal audit department and the external audit institution and cooperating with the external audit work.

Article 15 The Committee may formulate the content and format requirements of internal audit reports based on the operation characteristics of the Company. The Committee shall guide the internal audit and review the internal audit report submitted by the Audit Department.

Article 16 The internal audit department shall establish a working paper system, establish a corresponding file management system in accordance with the provisions of laws and regulations, and clearly define the work materials of the internal audit department, including the internal audit reports, working papers and the time for keeping the relevant materials.

Article 17 The Board of Directors or the Committee shall, according to the internal audit report and the relevant information of the Company, evaluate the establishment and implementation of the Company's internal control, and form a self-assessment report on internal control. The Board of Directors shall, when deliberating the annual financial report and other matters, form a resolution on the self-evaluation report on the internal control of the Company.

Chapter IV Rules of Procedure

Article 18 The Committee meetings include regular meetings and extraordinary meetings. The Committee shall hold at least 2 regular meetings annually. Extraordinary meetings may be convened as needed. When two or more members of the Committee propose, or the chairman of the Committee deems it necessary, an extraordinary meeting may be convened. External audit institutions may request a meeting if they consider it necessary.

Article 19 The Committee meetings shall be convened and presided over by the chairman of the Committee. Where the chairman of the Committee is unable or refuses to perform his/her duties, he/she shall appoint a member of the independent non-executive director to act on his/her behalf. If the chairman of the Committee neither performs his/her duties nor designates another member to act on his/her behalf, any member may report the same to the Board of Directors of the Company, which shall appoint a member to fulfil the duties of the chairman of the Committee.

Article 20 The Committee meetings shall not be held unless more than two-thirds of the members are present. The Company's financial director, head of internal audit and a representative of the external audit institution shall generally be present at the meeting. The deliberation opinions put forward by the Committee to the Board of Directors shall be subject to adoption by a simple majority of all the members. Any member of the Committee who has an interest in the matters discussed at the meeting shall withdraw. Where effective deliberation opinions cannot be formed due to withdrawal, the relevant matters shall be directly deliberated by the Board of Directors.

Article 21 Minutes of the Committee meetings shall be prepared and properly kept. The deliberation opinions adopted at the meetings shall be submitted to the Board of Directors of the Company in writing, and the relevant personnel shall not divulge the relevant information without authorization.

Article 22 The members of the Committee shall attend the Committee meetings in person and express clear opinions on the matters under deliberation. If a member is indeed unable to attend the meeting in person, he/she may entrust any other member to attend and give opinions at the meeting on behalf of him/her by submitting a power of attorney signed by him/her. The scope and term of authorization must be specified explicitly in the power of attorney. Each member may be entrusted by one member at the most. If a member of an independent non-executive director is indeed unable to attend the meeting in person, he/she shall entrust another independent non-executive director member to attend on his/her behalf.

Article 23 The Committee may, as it deems necessary, invite representatives of external audit institutions, supervisors of the Company, internal auditors, financial staff, legal advisers, and other relevant persons to attend the Committee meetings and provide necessary information.

Chapter V Supplementary Provisions

Article 24 Unless otherwise specified, the terms used herein shall have the same meaning as those used in the Articles of Association. The terms “more than” and “at least” as mentioned herein include the stated number.

Article 25 Any matters not covered herein or any discrepancy between these terms of reference and the relevant laws, regulations, rules, regulatory documents and the provisions of the Articles of Association, the relevant laws, regulations, rules, regulatory documents and the provisions of the Articles of Association shall prevail.

Article 26 These terms of reference shall come into force upon deliberation and approval by the Board of Directors of the Company.

Article 27 These terms of reference shall be interpreted and amended by the Board of Directors of the Company.