

Knowledge Atlas Technology Joint Stock Company Limited

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

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Chapter 1 General Provisions

Article 1 Pursuant to the Company Law of the People's Republic of China, 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 Code on Corporate Governance under Appendix C1 to the Hong Kong Listing Rules and other applicable laws, administrative regulations, departmental rules, normative documents including A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants, and the Articles of Association of Knowledge Atlas Technology Joint Stock Company Limited (hereinafter referred to as the "**Articles of Association**"), Knowledge Atlas Technology Joint Stock Company Limited (hereinafter referred to as the "**Company**") has decided to set up an audit committee of the Board, and hereby formulate the Terms of Reference of the Audit Committee (hereinafter referred to as the "**Terms of Reference**"), in an effort to strengthen the governance of the Company, and standardize the operation of the Audit Committee under the Board of Directors of the Company.

Article 2 The Audit Committee of the Board is a specialised working body under the Board of the Company, which is principally responsible for reviewing the Company's financial position and financial information, making judgments on the truthfulness, completeness and accuracy of the financial information, and inspecting the implementation and performance of the internal control system. It is also mainly responsible for the communications between the Company and the external auditor and its supervision and review, overseeing internal audit, evaluating and improving the Company's internal control system, and making recommendations on the same, as well as conducting risk assessment on the Company's major investment projects in operation. The Audit Committee of the Board shall report to the Board.

Chapter 2 Composition

Article 3 The Audit Committee shall comprise at least three directors, all members of the Committee shall be non-executive directors of the Company, and the majority (more than half) of the members of the Committee shall be independent non-executive directors of the Company. The chairman of the Audit Committee shall be an independent non-executive Director.

Members of the Audit Committee shall have certain working experience in financial, accounting, auditing and legal works, and have relevant professional expertise or working experience. At least one of the members of the Audit Committee shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules.

Partners of the existing external audit firm engaged by the Company shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of the person ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is the latter.

Article 4 Members of the Audit Committee shall be nominated by the Chairman of the Board or the Nomination Committee of the Board, and shall be elected by more than half of directors of the Board. After the proposal of electing members of the Committee has been approved, the new members of the Committee shall take offices immediately after conclusion of the meeting of the Board.

Article 5 The Audit Committee shall have a convener, namely chairman of the Committee, who shall be an independent non-executive director. The chairman of the Committee shall be appointed by the Board and shall oversee the operation of the Committee. Where the chairman of the Committee is unable to or fails to perform his/her duties, an independent non-executive director shall be elected by at least one half of the members of the Committee to act in his/her stead.

Article 6 The term of office of the Audit Committee shall be consistent with that of the Board. Each member of the Committee shall be eligible for re-election upon the expiry of his/her term of office. During his/her term of office, if any Committee member ceases to be a director of the Company, or any Committee member as an independent non-executive director ceases to have the independence as required under the Articles of Association and the Hong Kong Listing Rules, his/her membership in the Committee shall lapse automatically. A member of the Audit Committee may submit his/her resignation report in writing to the Board prior to the expiry of his/her term of office to resign from his/her existing position. The resignation report shall contain such reasons for resignation and matters which need attention of the Board of the Company as necessary. Upon the loss of qualification or permission to resign of member(s) of the Audit Committee, the position(s) vacated by such member(s) shall be filled by the Board according to the applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and the provisions of Articles 3 to 5 as set forth in the above. The substitute member(s) shall hold office until the expiry of his/her term of office as a director or independent non-executive director. A member of the Committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without cause except under circumstances as specified in the Company Law, the Articles of Association or the Hong Kong Listing Rules that prevent such member from holding the office.

Article 7 Apart from Directors' remuneration and disbursement, the members of the Audit Committee shall not directly or indirectly charge the Company in terms of consulting fee, advisory fee or other kinds of rewards for such membership.

Chapter 3 Duties and Authorities

Article 8 The Audit Committee shall make available its Terms of Reference explaining its role and the authority delegated to it by the Board on The Stock Exchange of Hong Kong Limited's website and the Company's website. The specific duties of the Audit Committee include:

- (1) to review annually the performance of the external audit firm, submit a summary of the audit work conducted by the external audit firm during the year to the Board, and make recommendation to the Board in respect of the appointment, re-appointment and dismissal of the external audit firm, as well as approval the remuneration for auditing service, terms of engagement etc., and deal with any matters related to the resignation or dismissal of the external audit firm. Where the Board of the Company disagrees with the opinion of the Audit Committee on the selection, appointment, resignation or dismissal of the external audit firm, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and the reasons why the Board of the Company holds different opinions;
- (2) to act as the Company's representative in liaising with the external audit firm, communicate between the Company's internal audit department (Internal Control and Internal Audit Department) and external audit firm, including review and examination of the independence and objectivity of the external audit firm and the effectiveness of the auditing procedures in accordance with applicable standards; and, prior to the commencement of any auditing procedures, discuss with the external audit firm about the nature, scope and method of audit and the reporting obligations, and negotiate with the external audit firm to determine the schedule of auditing the financial report of the year, as well as oversee the external audit firm to submit audit reports within the predetermined timelines and so forth. If more than one external audit firm is involved in the audit, the Committee shall make sure they coordinate with each other;
- (3) to formulate and implement policy on the provision of non-audit services by the external audit firm, on an as-needed basis. The Audit committee shall report and make recommendations to the Board under any actions or remedial measures are considered necessary; For this purpose, the external audit firm shall include any entity that is under common control, management or ownership with the external audit firm engaged by the Company or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the external audit firm engaged by the Company nationally or internationally. The Audit Committee shall ensure that the provision of non-audit services by the external audit firm will not compromise its independence or objectivity. In terms of non-audit services, the Audit Committee shall take the following matters into account:
 - (a) Whether the skills and experience of the relevant external audit firm make it a suitable supplier of the non-audit services;
 - (b) Whether pre-cautions are taken to ensure that the external audit firm's objectivity and independence in auditing shall not be influenced by providing such services;

- (c) The nature of the non-audit services, fee level, separate and lump sum fee of the services provided by such external audit firm; and
- (d) Standard for determining auditors' remuneration.

The Audit Committee shall report and propose to the Board of any necessary measures to be taken or matters to be improved;

- (4) to review the Company's accounting policies, financial position, financial reporting procedures and financial controls; to review the completeness, accuracy, fairness, and truthfulness of the Company's financial statements, quarterly (if any), interim and annual reports and accounts and review significant financial reporting judgments contained therein, as well as the disclosure of the Company's financial information. Before submitting relevant statements and reports to the Board, the review shall focus particularly on the following: any changes in accounting policies, practices, and estimates during the reporting period; areas involving significant judgments; significant adjustments arising from the audit process; the going concern assumptions or any qualified opinion; whether the financial accounting complies with accounting standards and provisions relating to financial reporting under the Company Law, the Hong Kong Listing Rules and other applicable laws, administrative regulations, department rules, normative documents;

Regarding the above items that shall draw particular focus in the reviewing process, the members of the Audit Committee shall communicate with the Board, senior management and internal and external auditors in a timely manner. Members of the Audit Committee shall meet with the external audit firm at least twice a year without the attendance of executive directors (except for those invited by the Audit Committee). Members of the Audit Committee shall consider the material or irregular matters reflected or required to be reflected in the Company's reports and accounts, and shall give due consideration to matters raised by the Company's accounting and finance department, compliance department, compliance officers or auditors;

- (5) to discuss questions and doubts raised by the external audit firm upon its completion of reviewing the interim accounts and of auditing the annual accounts of the Company and any other matters that the external audit firm may wish to discuss (in the absence of management if necessary);
- (6) to examine the Company's financial policies, internal audit system, internal control system and risk management system and provide opinions and recommendations for improvements, and:
 - (a) examine the Company's financial and accounting policies, practices and any relevant changes;
 - (b) monitor the process of compiling the regular financial reports (quarterly reports, if any, interim financial reports and annual financial reports), and review the relevant information including the regular financial reports and financial results announcements;

- (c) review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- (d) discuss with the management and assess the effectiveness of the financial control, internal control and risk management system, to ensure that the management has performed its duties in establishing an effective financial control, internal control and risk management system; discussions shall include the adequacy of resources, staff qualifications and experience, training program and budget of the Company's accounting and financial reporting function; and review the statements (if any) on the internal control system contained in the annual report before being submitted to the Board for approval;
- (e) conduct research on its own initiative or upon the appointment of the Board on the significant findings of investigation on risk management and internal control matters, as well as on the responses of the management to the findings;
- (f) ensure co-ordination between the Internal Control and Internal Audit Department of the Company and external audit firm, and to ensure that the Internal Control and Internal Audit Department of the Company is adequately resourced and has appropriate authorities and standing within the Company, and review and monitor its effectiveness;
- (g) review the operating, financial and accounting policies and practices of the Company and its subsidiaries;
- (h) reviewing the explanatory letters or management letters issued by the external audit firm to the management, the material queries raised by the external audit firm on accounting records, financial accounts or control system, and management's response;
- (i) set up, jointly with the Board, the Company's policies relating to the hiring of employees or former employees of the external audit firm and monitor the application of such policies. The Audit Committee should consider whether such policies have impaired or appeared to impair the external audit firm's judgment or independence in respect of the audit;
- (j) act as the key representative for overseeing the Company's relation with the external audit firm;
- (k) ensure the Board's timely provision of response to the issues raised in the external audit firm's letter of examination or proposals to management;
- (l) formulate and review the corporate governance policy and practices of the Company and make recommendations to the Board in respect thereof;
- (m) review and monitor the training and continuous professional development of directors and senior management;

- (n) review and monitor the Company's policies and practices in respect of compliance with laws and regulatory requirements;
 - (o) supervise the work of the internal audit department of the Company, and provide opinions and recommendations on the appraisal and change of persons in charge of the internal audit department;
 - (p) monitor against any possible improprieties of the employees of the Company in financial reporting, internal control or other matters;
 - (q) review the Company's compliance with the Corporate Governance Code and its disclosure in the Corporate Governance Report;
 - (r) report to the Board on any of the above-mentioned related matters, and consider other issues as defined by the Board; and
 - (s) report to the Board on matters set out in Code Provision D.3.3 of the Corporate Governance Code in Appendix C1 of the Hong Kong Listing Rules.
- (7) the Audit Committee shall establish relevant procedures to ensure fair and independent investigation and resolution of the following matters:
- (a) to receive and handle known complaints on accounting, internal control or audit of the Company, and guarantee confidentiality of such complaints;
 - (b) to receive and handle the complaints or anonymous whistle-blowing by employees concerning the irregularities in the Company's accounting, auditing, internal control or any possible improprieties in other aspects, and ensure its confidentiality. To review the procedures that the Company's employees can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence, and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action by the Company;
- (8) to advise and ensure that the Board takes effective remedial measures for the Company's failure to comply with the requirements of the Hong Kong Listing Rules regarding the establishment of an Audit Committee;
- (9) to complete other tasks assigned by the Board;
- (10) to perform other duties imposed by applicable laws, administrative regulations, departmental rules, normative documents, regulatory bodies including The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong, as well as the Articles of Association and the rules of procedures of the Board.

The senior management and relevant departments of the Company shall be cooperative and supportive to the Audit Committee and shall take the initiatives in providing relevant information. The finance department shall regularly and faithfully provide financial and accounting information including financial reports and capital operation reports to the Audit Committee, It shall report, on a timely manner, significant business operating activities, take the initiatives in cooperating with the Audit Committee in its work, and listen carefully to the recommendations provided and requests made by the Audit Committee.

Article 9 The Audit Committee shall be accountable to the Board and proposals of the Audit Committee shall be submitted to the Board regularly for its consideration and decision.

Article 10 The chairman of the Audit Committee is primarily authorized:

- (1) to convene and preside over the meetings of the Audit Committee;
- (2) to preside over the daily operation of the Audit Committee;
- (3) to review and sign the reports of the Audit Committee and other important documents;
- (4) to inspect the implementation of the resolutions and recommendations of the Audit Committee;
- (5) to report to the Board on behalf of the Audit Committee;
- (6) to perform such other duties as shall be performed by the chairman of the Audit Committee.

Chapter 4 Working Procedures

Article 11 The Internal Control and Internal Audit Department of the Company, which is responsible for the Company's internal audit, is under the direct supervision of the Audit Committee, and is the daily working body of the Audit Committee.

Article 12 The Internal Control and Internal Audit Department of the Company is in charge of the preliminary preparation for the decision-making of the Audit Committee. It provides the following written materials of the Company:

- (1) relevant financial reports of the Company;
- (2) the work reports of internal and external audit firms;
- (3) external audit contracts and relevant work reports;
- (4) disclosure of information to the public by the Company;
- (5) the Company's connected (related) transactions agreements, audit reports on major connected (related) transactions and feedback on the investigation of connected (related) persons;

- (6) financial and legal information about major investment projects;
- (7) relevant work reports on the Company's internal control systems and its implementation;
- (8) other relevant information.

The Audit Committee performs the main duties under Article 8 of the Terms of Reference based on the information provided by the daily working body.

Article 13 The working manner of the Audit Committee:

- (1) During its meetings, the Audit Committee discusses the work plans for proceeding with internal audit, listens to the work reports made by the Company's finance department, comments on the reports provided by the Internal Control and Internal Audit Department of the Company, and reviews the quarterly (if any), interim and annual financial reports of the Company, etc. The Audit Committee may make decisions based on the opinions of experts from the professional institutions and submit the matters that require to be decided by the Board to the Board, which mainly include:
 - (a) the evaluation of work conducted by the external audit firm, the appointment and removal of the external audit firm, approval of the remuneration and appointment terms applicable to the external audit firm;
 - (b) whether the Company's internal control and internal audit systems have been effectively implemented, and whether its financial reports are complete and true;
 - (c) whether disclosure of information including financial reports of the Company is objective and true, and whether the substantive connected (related) transactions of the Company are in compliance with the relevant laws and rules;
 - (d) evaluation of the work of the Company's financial department, the audit department and the respective persons in charge;
 - (e) other relevant matters;
- (2) In the preparation and the disclosure of the Company's annual financial report, the Audit Committee shall comply with the following working rules and procedures:
 - (a) to negotiate and determine the schedule of the audit work of the financial year with the external audit firm which is responsible for the audit of the Company's financial report of that year (herein after referred to as the "**Annual Audit CPA**") in a timely manner after the end of the financial year;
 - (b) to procure the submission of the audit reports by the Annual Audit CPA within the predetermined time limit;
 - (c) to review the financial and accounting statements prepared by the Company before the Annual Audit CPA commences its work;

- (d) to review the financial and accounting statements of the Company after the Annual Audit CPA has issued its preliminary audit opinion;
- (e) to convene meetings of the Audit Committee to review the financial reports, make recommendations for the re-appointment or replacement of the Annual Audit CPA for the following year, and compile a report summarizing the audit work engaged by the Annual Audit CPA for the current year.

The chairman of the Audit Committee or (if absent) another member of the Audit Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company and respond to the shareholders' enquiry on the activities and responsibilities related to the Audit Committee.

Chapter 5 Rules of Procedures

Article 14 Meetings of the Audit Committee are classified as regular meetings and extraordinary meetings.

Regular meetings of the Audit Committee shall be held at least twice annually, and shall be convened before the regular meeting of the Board of the Company, for discussing the opinions and recommendations to be submitted to the Board. The interim and annual financial statements of the Company shall be reviewed and discussed at the two meetings of the Audit Committee held annually.

The chairman of the Audit Committee may convene the extraordinary meetings at his/her own discretion or at the request of the independent accountant or internal auditor; an extraordinary meeting may also be convened upon the proposal submitted by at least half of the members of the Committee or according to the recommendation made by the Chairman of the Board.

Article 15 Meetings of the Audit Committee shall be convened by the chairman of the Committee. Notice of meeting, signed by the chairman of the Committee, and materials for meeting shall be delivered to all members of the Committee three days prior to the meeting. Upon unanimous consent of all members of the Committee, the requirement on such prior notice period may be exempted.

Article 16 The chairman of the Committee may, when unable to attend the meeting, authorize another Committee member who is an independent non-executive director to preside over the meeting in his/her stead. Interim meetings shall not be subject to the above notice period.

Article 17 The quorum for meetings of the Audit Committee shall be at least two-thirds of the total members of the Committee, one of whom shall be an independent non-executive director. Members who cannot attend a meeting may authorize, in writing, other members to attend and vote on his/her behalf. The form of proxy, containing the name of the proxy, the matters delegated, the scope of authorization and the validity period of such authorization, and signed or stamped by the appointer, shall be submitted to the chairman of the meeting no later than the time when voting takes place.

The resolutions made at the meetings shall be approved by a majority of all members, and relevant resolutions or opinions shall be signed by the participating members of the Audit Committee. Each member shall have one vote and may vote “for”, “against” or “abstain” from voting on a given matter. Where the respective votes for and against a resolution are equal in number, the chairman of the Audit Committee shall be entitled to have a casting vote.

Article 18 Meetings of the Audit Committee may be held by on-site meetings, teleconferences, video conferences, circulation of documents, facsimile, email or other appropriate means.

Article 19 The person-in-charge of the Internal Control and Internal Audit Department may attend the meetings of the Audit Committee, and where necessary, directors, supervisors and senior management of the Company may be invited to attend such meetings, but have no right to vote if he/she is not a member of the Committee.

Article 20 The Company shall provide sufficient resources to the Audit Committee to perform its duties. The budget of expenses of the Audit Committee is included as part of the budget of the Company. In performing its duties, the Audit Committee has the right to, where necessary, engage professionals including lawyers, certified public accountants, and certified auditors, etc. to provide professional opinions on its decision-making with the reasonable expenses borne by the Company.

Article 21 The convening procedures, voting method and resolutions passed on the meetings of the Audit Committee shall comply with the provisions of applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules, the Articles of Association and the Terms of Reference.

Article 22 Detailed and complete minutes of meetings of the Audit Committee shall be prepared, on which members present at the meetings shall sign. Minutes of meetings of the Committee shall be properly kept by the secretary to the Board of the Company for at least ten years during the existence of the Company. Draft and final versions of minutes of meetings of the Committee shall be circulated to all members of the Audit Committee for their comment and record purpose respectively, in both cases within a reasonable time after each meeting. Upon signing by members of the Audit Committee who attended the meeting, the minutes shall be submitted to all members of the Board for circulation. Such minutes of meeting shall be opened for inspection at any reasonable time on reasonable notice by any director. Minutes of meetings shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Resolutions of the Audit Committee shall come into force after being signed by the attending members, and no amendment or modification shall be made to any resolutions of the Audit Committee that have come into force unless in accordance with the relevant legal procedures required by applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules, the Articles of Association and the Terms of Reference. Resolutions passed by the meeting of the Audit Committee and the voting results shall be reported in writing to the Board.

Article 23 The minutes of the Audit Committee meetings shall at least include the followings: the date, venue and name of convener of the meeting; the names of the attendees with specific notes on whether a proxy is entrusted for the meeting; the meeting agenda; the key points of the members' speeches; the voting method and poll results of each resolution or proposal; other matters need to be indicated and recorded in the meeting minutes.

Article 24 Members present at meetings of the Audit Committee and persons attending such meetings shall perform a duty of confidentiality regarding matters discussed at such meetings. No unauthorized disclosure of such information shall be allowed, unless otherwise stipulated under applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and/or rules of regulatory bodies.

Chapter 6 Supplementary Provisions

Article 25 The terms “at least” and “within” as mentioned in these Terms of Reference include the stated figures; “over” does not include the stated figures.

Article 26 This Terms of Reference are deliberated and approved by the Board of Directors, and shall come into force and be implemented from the day on which the H shares publicly issued by the Company are listed for trading on The Stock Exchange of Hong Kong Limited.

Article 27 The Terms of Reference shall be amended and interpreted by the Board of Directors.

Article 28 Any matters not covered herein shall be implemented in accordance with the provisions of applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed and the Articles of Association. Where the Terms of Reference conflict with any provisions of applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed or the Articles of Association, such applicable laws, administrative regulations, departmental rules, normative documents, the Hong Kong Listing Rules and any other regulatory rules of the place(s) where the shares of the Company are listed and the Articles of Association shall prevail, and the Terms of Reference shall be amended accordingly as soon as practicable and submitted to the Board for consideration and approval.