

Victory Giant Technology (HuiZhou) Co., Ltd.

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

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to strengthen the decision-making functions of the board of directors (hereinafter referred to as the “Board”) of Victory Giant Technology (HuiZhou) Co., Ltd. (the “Company”), and to conduct audit in advance and professional audit so as to ensure the effective supervision of the management by the Board and improve the corporate governance structure, the Company has established the audit committee of the Board (hereinafter referred to as the “Audit Committee”) and formulated these terms of reference (hereinafter referred to as 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 on the ChiNext Market of Shenzhen Stock Exchange, the Measures for the Administration of Independent Directors of 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 the Company (hereinafter referred to as the “Articles of Association”) and other relevant provisions.

Article 2 The Audit Committee is a specialized committee established by the Board, mainly responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating internal and external audit work and internal control, exercising the functions and powers of the supervisory committee as stipulated in the Company Law. It is accountable to the Board and reports work to the Board.

Article 3 Members of the Audit Committee shall ensure sufficient time and effort to perform their duties, diligently and conscientiously supervise the external audit of the Company, guide the internal audit work of the Company, promote the establishment of effective internal control and ensure the provision of true, accurate and complete financial reports.

Article 4 The Board of the Company shall establish the Audit Committee. The internal audit department shall be accountable to the Board and report its work to the Audit Committee.

Article 5 The Company shall provide the Audit Committee with necessary working conditions and assign dedicated personnel or institutions to undertake the daily work of liaison, organization of meetings, preparation of materials and file management for the Audit Committee. When the Audit Committee performs its duties, the management and relevant departments of the Company shall provide necessary cooperation.

Article 6 The Audit Committee shall perform its duties within the scope of responsibilities stipulated by the Articles of Association and these Terms of Reference, and shall work independently without interference from other departments of the Company.

CHAPTER 2 COMPOSITION

Article 7 Members of the Audit Committee shall be elected by the Board from the Board members and shall consist of three non-executive directors. The majority of the members shall be independent non-executive directors and at least one of them shall be an accounting professional with appropriate professional qualifications as required by the Hong Kong Listing Rules or appropriate expertise in accounting or related financial management. Members of the Audit Committee shall be directors who do not hold senior management positions in the Company. A former partner of the audit firm currently responsible for auditing the Company's accounts shall not serve as a member of the Company's Audit Committee within two years from (a) the date on which the person ceases to be a partner of the firm; or (b) the date on which the person no longer has a financial interest in the audit firm, whichever is later.

Article 8 All members of the Audit Committee shall elect one member from the independent non-executive director members to serve as the convener, who shall be an accounting professional and responsible for presiding over the work of the Audit Committee.

If the convener of the Audit Committee is unable or fails to perform his/her duties, he/she shall designate another member to exercise his/her powers on his/her behalf. If the convener of the Audit Committee neither performs his/her duties nor designates another member to exercise his/her powers, the Board of the Company shall designate a member to perform the duties of the convener.

Article 9 All members of the Audit Committee shall possess the expertise and business experience enabling them to fulfil the duties of the Audit Committee.

Article 10 The Company shall arrange members of the Audit Committee to participate in related training so that they can timely obtain expertise required for discharging their duties in respect of laws, accounting, and regulatory framework applicable to companies.

Article 11 The terms of office of the members of the Audit Committee shall be in conformity with that of their directorship of the same session of the Board. Members may be re-elected or re-appointed at the expiry of their terms of office. During the term of office, if any member ceases to be a director of the Company or any member as an independent non-executive director ceases to have independence as set out in the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association and automatically loses his/her qualification as a member of the Audit Committee, or if the resignation of an independent non-executive director results in the proportion of independent non-executive directors in the Audit Committee failing to comply with the securities regulatory rules of the place where the Company's shares are listed or these Terms of Reference, or there's a lack of independent non-executive directors with appropriate professional qualifications as required by the Hong Kong Listing Rules or appropriate expertise in accounting or relevant financial management, the vacancy shall be filled up by the Audit Committee in accordance with Article 7 above.

Article 12 The Board of the Company shall conduct regular assessments on the independence and performance of the members of the Audit Committee. Where necessary, the Board may replace any member who is considered unsuitable to continue serving on the Audit Committee.

Article 13 A member may tender his/her resignation to the Board during his/her term of office by giving a written resignation to explain the reason for resignation and matters which need to be brought to the attention of the Board. Members of the Committee may be adjusted during their terms of office according to the recommendation of the Chairman of the Board and upon the consideration and approval of the Board. Where the number of members falls below the quorum due to resignation or removal of the member(s) or any other reasons, the Board shall elect new member(s) to fill the vacancy as soon as possible.

CHAPTER 3 POWERS AND DUTIES

Article 14 The main powers and duties of the Audit Committee are as follows:

- (I) to exercise the functions and powers of the supervisory committee as stipulated under the Company Law:
 - 1. to examine the financial affairs of the Company;
 - 2. to supervise the directors and senior management in their performance of duties and to propose the removal of directors and senior management who have violated the laws, administrative regulations, the Articles of Association or the resolutions of the general meetings;
 - 3. to demand rectification from a director or senior management when the acts of such persons are detrimental to the interests of the Company;
 - 4. to propose the convening of extraordinary general meetings and to convene and preside over general meetings when the Board fails to perform the duty of convening and presiding over general meetings as required by the Articles of Association;
 - 5. to submit proposals to the general meeting;
 - 6. to initiate proceedings against directors and senior management in accordance with Article 189 of the Company Law.
- (II) to supervise and evaluate the external audit work;
- (III) to supervise and evaluate the internal audit work;
- (IV) to review the Company's financial statements and express opinion thereon;
- (V) to supervise and evaluate the effectiveness of the Company's internal controls, financial reporting systems, risk management, and internal monitoring systems;
- (VI) to coordinate communication between the management, internal audit departments and relevant departments with external audit firms;
- (VII) other matters as required by laws, regulations, departmental rules, other normative documents, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association and as authorized by the Board of the Company.

Article 15 The responsibilities of the Audit Committee to supervise and evaluate the work of external auditors shall include at least the following aspects:

- (I) assessing the independence and professionalism of external auditors, particularly the influence of non-audit services provided by the external auditors on their independence;

- (II) making recommendations to the Board on the appointment, reappointment and replacement of the external auditor, based on factors such as the auditor's ethics, knowledge, experience and capacity, as well as the remuneration and terms of engagement of the external auditor, and addressing any questions of its resignation or dismissal;
- (III) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (IV) developing and implementing policy on engaging an external auditor to supply non-audit services which do not impair the independence or objectivity of the external audit firm. The Audit Committee shall consider (i) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services; (ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit; (iii) the nature of the non-audit services, the related fee levels and fee levels, individually and in total, relative to the audit firm; and (iv) the criteria for the compensation of the individuals performing the audit. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (V) reviewing the audit fees and terms of engagement of the external auditor;
- (VI) discussing and communicating with the external auditor the audit scope, audit plan, audit methods and significant matters identified during the audit;
- (VII) supervising and assessing the diligence of the external auditor.

The Audit Committee shall (i) obtain from the external audit firm, annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff and (ii) hold a separate communication meeting with the external audit firm in the absence of management at least once a year to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise. The secretary to the Board may attend such meeting.

Article 16 The responsibilities of the Audit Committee to direct the internal audit work shall include at least the following aspects:

- (I) directing and supervising the establishment and implementation of the internal audit system;
- (II) reviewing the annual internal audit work plan of the Company;
- (III) supervising the implementation of the Company's internal audit plan;
- (IV) reviewing the internal audit work report, evaluating the results of the internal audit work, and urging the rectification of major issues;

- (V) directing the effective operation of the internal audit department. The internal audit department of the Company shall report to the Audit Committee. All types of audit reports, rectification plans for audit issues and rectification status submitted by the internal audit department to the management shall be submitted to the Audit Committee at the same time;
- (VI) coordinating the relationship between the internal audit department and external audit entities such as accounting firms and state audit institutions.

The internal audit department of the Company shall report to the Audit Committee. All types of audit reports, rectification plans for audit issues and rectification status submitted by the internal audit department to the management shall be submitted to the Audit Committee at the same time.

Article 17 The responsibilities of the Audit Committee to review the Company's financial reports and express opinions thereon shall include at least the following aspects:

- (I) reviewing and monitoring the Company's financial reports, giving opinions on the authenticity, completeness and accuracy of the financial report and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:
 - 1. any changes in accounting policies and practices;
 - 2. major judgmental areas;
 - 3. significant adjustments resulting from audit;
 - 4. the going concern assumptions and any qualifications;
 - 5. compliance with accounting standards;
 - 6. compliance with the securities regulatory rules of the place where the Company's shares are listed and legal requirements in relation to financial reporting.

Regarding (I) herein, members of the Audit Committee should liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's external auditors; and the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors.

- (II) focusing on significant accounting and auditing issues in the financial reports of the Company, including adjustments for significant accounting errors, changes in significant accounting policies and estimates, matters involving significant accounting judgements, and matters leading to non-standard unqualified audit reports;
- (III) paying particular attention to the possibility of fraud and corruption and material misstatement in relation to the financial reports;

(IV) supervising the rectification of financial reporting problems.

Article 18 The responsibilities of the Audit Committee to assess the effectiveness of the internal control, financial reporting system, risk management, and internal monitoring system shall include at least the following aspects:

- (I) assessing the appropriateness of the design of the Company's internal control systems;
- (II) reviewing the assessment report on internal control;
- (III) reviewing the internal control audit report issued by the external auditor, and to communicate with the external auditor on the problems identified and the improvement methods;
- (IV) evaluating the results of internal control evaluation and audit, and supervising the rectification of internal control deficiencies;
- (V) reviewing the Company's financial controls, and reviewing the Company's risk management and internal control systems;
- (VI) discussing the risk management and internal control systems with management to ensure that management has performed its duty to implement and maintain effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (VII) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (VIII) ensuring coordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness. "Adequately resourced" means that relevant staff have appropriate qualifications, experience, integrity and independence of mind;
- (IX) reviewing financial and accounting policies and practices of the Company and its subsidiaries;
- (X) reviewing the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
- (XI) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (XII) reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- (XIII) agreeing with the Company's policies on hiring employees or former employees of external auditors and monitoring the application of these policies and considering whether there has been, or appears to be, any impairment of the auditor's judgement or independence for the audit.
- (XIV) acting as the key representative body for overseeing the Company's relations with the external auditor;
- (XV) reporting to the Board on the above matters and other matters set out in Rule D.3.3 in Appendix C1 of the Hong Kong Listing Rules (and any amendments thereto from time to time);
- (XVI) considering other topics, as defined by the Board.

Article 19 The Audit Committee shall co-ordinate the communication between the management, the internal audit department and relevant departments and the external auditor, and duties include:

- (I) to coordinate management's communication with the external auditor on significant audit issues;
- (II) to coordinate the communication between the internal audit department and the external auditor and the coordination of the external audit work.

Article 20 The Audit Committee shall be responsible to the Board and shall perform its duties in accordance with the Articles of Association and the authorization of the Board. If any proposal of the Audit Committee requires the consideration of the Board, it shall be submitted to the Board for decision.

Article 21 The following matters shall be submitted to the Board for approval with the agreement of a majority of all Audit Committee members:

- (I) disclosure of financial information in financial accounting reports and periodic reports, internal control evaluation reports;
- (II) engagement or dismissal of the accounting firm that undertakes the audit of the Company;
- (III) appointment or dismissal of the financial controller of the Company;
- (IV) changes in accounting policies, accounting estimates or corrections of material accounting errors other than changes in accounting standards;
- (V) other matters stipulated by laws, administrative regulations, the CSRC, securities regulatory authorities of the places where the Company's shares are listed, and the Articles of Association.

Article 22 The Audit Committee shall report to the Board on the measures or improvements that it considers necessary and make recommendations.

Article 23 When the Audit Committee performs its duties, relevant departments of the Company shall cooperate. The Audit Committee may engage intermediary institution to provide professional opinions if necessary at the expense of the Company.

Article 24 The Board shall consider the proposal in respect of the appointment or replacement of the external auditors of the Company after the Audit Committee has made a recommendation and submitted such to the Board.

Article 25 The major duties and authorities of the convener of the Audit Committee include:

- (I) to convene and preside over the Audit Committee meetings and sign and issue meeting resolutions;
- (II) to propose the convening of extraordinary meetings;
- (III) to head the Audit Committee and ensure its effective operation and performance of duties;
- (IV) to ensure that a clear conclusion is drawn for each topic discussed by the Audit Committee, such conclusion may be pass, rejection or deferral (to be reconsidered with supplementary materials);
- (V) to determine the agenda of each Audit Committee meeting;
- (VI) to ensure that all members present at the Audit Committee meeting are informed of the matters to be discussed at such meeting and that every member is provided with complete and reliable information;
- (VII) Other matters required by laws, administrative regulations, the CSRC, other securities regulatory authorities where the Company's shares are listed and these Terms of Reference.

Article 26 Main duties and authorities of the members of the Audit Committee include:

- (I) to attend committee meetings on time, express their views on the subject matters under discussion and exercise voting rights at the meetings;
- (II) to propose topics to be discussed at the committee meetings; to attend as observer or listen to relevant meetings of the Company, and conduct investigations and research to obtain necessary information such as reports, documents and data for the purpose of discharging their duties;
- (III) to have a full understanding of the responsibilities of the committee as well as their own responsibilities as members of the committee, and familiarise with the relevant operational and administrative status, business activities and development of the Company so as to ensure their ability to perform duties;
- (IV) to ensure they have enough time and energy to discharge their responsibilities;

- (V) other matters as required by laws, administrative regulations, the CSRC, other securities regulatory authorities where the Company's shares are listed, and these Terms of Reference.

Article 27 The committee shall submit all research and discussion results, materials, and information to the Board in the form of reports, suggestions, and summaries for their consideration and decision-making.

CHAPTER 4 CONVENING AND NOTICE OF MEETING

Article 28 Meetings of the Audit Committee are divided into regular meetings and extraordinary meetings. The convener of the Audit Committee shall convene and chair the meetings of the Audit Committee.

When the convener of the Audit Committee fails or refuses to perform the duties, an independent non-executive director shall be nominated to perform the duties instead.

Article 29 The Audit Committee shall hold at least one meeting every quarter. An extraordinary meeting will be held when two or more members propose, or when the convener deems it necessary.

Article 30 Meetings of the Audit Committee may be held by way of on-site meetings or by way of circulating a written resolution under off-site meetings.

Article 31 The notices for regular meetings and extraordinary meetings of the Audit Committee shall be given not less than 3 days before the meeting.

If an interim meeting of the Audit Committee needs to be convened as soon as possible in case of emergency, a notice of the meeting may at any time be given through telephone or otherwise given verbally, provided that an explanation shall be made by the convener at the meeting.

Article 32 The notice of the meeting of the Audit Committee shall include at least the following:

- (I) time and location of the meeting;
- (II) duration of the meeting;
- (III) topics to be discussed at the meeting;
- (IV) contact person of the meeting and contact details;
- (V) date of the notice of meeting.

Article 33 Notice of the Audit Committee meetings may be delivered by fax, email, telephone, by hand or by mail. When the notice is delivered by telephone, electronic mail or other speedy methods, the parties being notified shall be deemed to have received the notice of the meeting if no written objection is received from them within two days from the date of delivery of the notice.

CHAPTER 5 WORKING RULES

Article 34 The internal audit department shall be responsible for preliminary preparations for decision making of the Audit Committee and providing the following written information of the Company:

- (I) relevant financial reports of the Company;
- (II) work reports of internal and external auditors;
- (III) external audit contracts and relevant work reports;
- (IV) public disclosure of information made by the Company;
- (V) audit reports on major connected transactions of the Company;
- (VI) other relevant matters.

Article 35 The Audit Committee shall convene meetings to consider the reports submitted by the internal audit department, and submit relevant resolutions in writing to the Board for consideration with respect to:

- (I) evaluation on the performance of, and engagement and replacement of, the external auditors;
- (II) the effectiveness of the implementation of the internal audit system of the Company and the completeness and truthfulness of the financial reports of the Company;
- (III) the objectiveness and truthfulness of the financial reports and other information disclosed publicly by the Company, and the compliance with the relevant laws and regulations of the major connected transactions of the Company;
- (IV) evaluation on the performance of the financial department and audit department of the Company, including persons in charge;
- (V) other relevant matters.

Article 36 More than two-thirds of the members are required to form the quorum of a meeting of the Audit Committee. Voting on resolutions of the Audit Committee shall be conducted on the basis of one vote per member.

Article 37 The voting at meetings of the Audit Committee shall be undertaken by show of hands or by polls; while extraordinary meetings and off-site meetings can be convened by way of circulation of written resolutions.

Resolutions proposed at the meetings must be passed by a majority of all members of the Audit Committee.

Where any member of the Audit Committee has a conflict of interest in relation to the matters under discussion at the meeting, he/she shall abstain from voting. In the event that a valid resolution cannot be made due to such abstention, the relevant matter shall be directly submitted to the Board for consideration.

Article 38 Members of the Audit Committee shall attend meetings in person and express clear opinions on the matters considered at the meetings. If a member is unable to attend the meeting in person for any reason, he/she may authorize another member to attend such meeting and express opinions on his/her behalf by submitting a power of attorney signed by the authorizing member. The power of attorney shall specify the scope and duration of the authorization. Each member may accept authorization from no more than one other member. If any member who is an independent director is unable to attend the meeting in person for any reason, he/she shall authorize another member who is an independent director to attend such meeting on his/her behalf.

Article 39 The member attending a meeting on behalf of another member shall exercise the rights within the scope of authorization. If a member does not attend a meeting in person or authorize another member to exercise the rights on his/her behalf, nor does he/she submit any opinion in writing prior to the meeting, he/she shall be deemed to have waived his/her rights.

Article 40 A member who is unable to attend a meeting in person may also exercise his/her rights by submitting his/her opinion in writing with respect to any matter to be discussed, provided that such written opinion shall be submitted to the office of the Board before the meeting at the latest.

Article 41 The Audit Committee may invite other directors and senior management of the Company to attend the meeting when deemed necessary, but those other than members of the Audit Committee shall not have the right to vote on the resolutions.

Article 42 The procedures for convening meetings of the Audit Committee, way of voting and resolutions approved at the meeting must comply with the provisions of relevant laws, regulations, the securities regulatory rules of places where the Company's shares are listed, the Articles of Association and these Terms of Reference.

Article 43 The Audit Committee must keep minutes of its meetings. Minutes of meetings shall be prepared by the office of the Board and include the following:

- (I) method, date, venue and name of the chairperson of the meeting;
- (II) attendance and absence and attendance by proxy;
- (III) topics of the meeting;
- (IV) deliberations and voting at the meeting;
- (V) name of the person taking minutes.

Members of the Committee shall be present at the meeting. Draft and final versions of the minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting. The recorder shall sign the minutes of the Committee meeting. The minutes shall be maintained by the secretary to the Board of the Company in accordance with the Company's file management system.

Article 44 The resolutions adopted at the meeting of the Audit Committee and the voting results shall be submitted to the Company's Board in writing.

Article 45 All persons present at the meeting shall be subject to a confidentiality obligation in respect of the matters discussed at the meeting, and shall not disclose the relevant information, unless required by applicable laws, regulations and rules or by the competent authorities and with consent from the Board.

CHAPTER 6 INFORMATION DISCLOSURE

Article 46 The Company shall disclose information on members of the Audit Committee, including their composition, professional background and working experience in the last five years and changes of members of the Audit Committee. The Company shall disclose the annual performance of the Audit Committee in its annual report, mainly including its performance of duties and the convening of the Audit Committee's meetings.

Article 47 Where any material issues identified by the Audit Committee in the course of performing its duties meet the information disclosure standards specified in the securities regulatory rules of the place where the Company's shares are listed, the Company shall disclose such issues and the rectification thereof in a timely manner.

Article 48 The Audit Committee shall submit deliberative opinions to the Company's Board in respect of matters within its terms of reference. Where the Board fails to adopt such opinions, the Company shall disclose such matter and fully explain the reasons therefor.

The Company shall, in accordance with the provisions of laws, administrative regulations, departmental rules, relevant normative documents and the securities regulatory rules of the place(s) where the Company's shares are listed, disclose the special opinions issued by the Audit Committee in respect of the Company's material matters.

CHAPTER 7 SUPPLEMENTARY PROVISIONS

Article 49 The term "more than" referred to in these Terms of Reference shall include the given figure, while the term "over" shall exclude the given figure.

Article 50 These Terms of Reference shall come into effect on the date on which the H Shares issued by the Company are listed on the Stock Exchange of Hong Kong Limited, after being approved by the Company's Board.

Article 51 The national laws, regulations, departmental rules, other regulatory documents, the securities regulatory rules of the place(s) where the Company's shares are listed and the Articles of Association shall prevail over these Terms of Reference for any uncovered matters herein or any inconsistency therewith; and these Terms of Reference shall be promptly amended and submitted to the Company's Board for approval.

Article 52 The terms as used herein shall have the same meanings as those used in the Articles of Association, unless otherwise required in these Terms of Reference.

Article 53 The Board shall be responsible for the interpretation of these Terms of Reference.

Victory Giant Technology (HuiZhou) Co., Ltd.