Reconova Technologies Co., Ltd.

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

CHAPTER I GENERAL PROVISIONS

Article 1 To regulate the rules of procedure for the Audit Committee of the Board of Directors of Reconova Technologies Co., Ltd. (hereinafter referred to as the "**Company**"), and sufficiently protect the legal interests of the Company and its shareholders, these terms of reference are formulated in accordance with the provisions of the Company Law of the People's Republic of China (hereinafter referred to as the "**Company Law**"), the Trial Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**Hong Kong Listing Rules**") and other relevant laws, administrative regulations, departmental rules, regulatory documents and the Articles of Association of Reconova Technologies Co., Ltd. (hereinafter referred to as the "**Articles of Association**"), the Terms of Reference of the Board of Directors of Reconova Technologies Co., Ltd. and after taking into account the actual conditions of the Company.

Article 2 The Audit Committee is responsible for proposing the appointment or replacement of external auditors, coordinating internal audit and external audit, reviewing the Company's financial information and its disclosure, supervising and evaluating internal and external auditing work and the Company's internal control, as well as financial reporting processes, and exercising such powers of the Supervisory Committee as required under the Company Law.

CHAPTER II COMPOSITION OF THE AUDIT COMMITTEE

Article 3 The Audit Committee consists of three non-executive directors of the Company, of which independent non-executive directors constitute a majority, and at least one independent non-executive director is a professional with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules.

Article 4 The Audit Committee has a committee chairman, who must be an independent non-executive director, and responsible for presiding over committee work. The committee chairman shall be elected within the committee and shall be submitted to the Board of Directors for approval.

Article 5 The term of office of the members of the Audit Committee shall be consistent with the term of office of the directors. Upon expiration of the term of a member, such member may be re-elected for a consecutive term. Should any member cease to serve as a director of the Company or become ineligible for membership (e.g., a member required to hold the status of an independent non-executive director no longer meets the independence requirements under the Hong Kong Listing Rules), such member shall automatically cease to hold office, and the Board of Directors will make up for the number of committee members within three months in accordance with Articles 3 to 4 above and the Articles of Association.

Article 6 The provisions of the Company Law and the Articles of Association on directors' obligations are applicable to members of the Audit Committee.

CHAPTER III DUTIES OF THE AUDIT COMMITTEE

Article 7 The specific duties of the Audit Committee include:

(I) Relationship with the external auditor of the Company

1. to make proposals and recommendation to the Board of Directors in respect of the appointment, re-appointment, dismissal or replacement of the external auditor, approve the remuneration and terms of engagement of the external auditor, and deal with all matters of resignation or dismissal of the external auditor;

2. to review and monitor 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, scope and related reporting responsibility before the audit commences;

3. to formulate and implement policies relating to the provision of non-audit services by the external auditor. For the purpose of this clause, an external auditor shall include any entity under common control, ownership or management with the auditor or any entity that a reasonable and informed third party would reasonably conclude to be part of the local or international operation of the external auditor. The Audit Committee shall report to and advise the Board of Directors on any action or improvement to be taken;

4. to act as the representative between the Company and the external auditor and oversee their relationship;

(II) Review of financial information of the Company

1. to monitor integrity of the Company's financial statements and annual reports and accounts, interim reports and quarterly reports (if any), and to review important opinions regarding financial reporting in such statements and reports. In reviewing these statements and reports before submission to the Board of Directors, the Audit Committee should focus particularly on the following items:

   (1) any change in accounting policies and practices;

   (2) major judgmental areas;

(3) significant adjustments resulting from audit;

(4) the going concern assumptions and any qualified opinions;

(5) compliance with accounting standards; and

(6) compliance with the Hong Kong Stock Exchange Listing Rules and legal requirements in relation to financial reporting;

2. for the purpose of item 1 above:

(1) the members of the committee shall communicate with the Board of Directors and members of the senior management. The committee shall meet with the external auditor of the Company at least twice a year; and

(2) the committee shall consider any significant and unusual items that are, or may need to be, reflected in such reports and accounts, and shall give consideration to the matters raised by the staff responsible for accounting and financial reporting function of the Company, compliance officer or the external auditor;

(III) Oversight of the Company's financial reporting, risk management and internal control procedures

1. to review and evaluate the risk management system and financial control, risk management and internal control systems of the Company;

2. to discuss with the management on risk management and internal control system to ensure that the management has performed its duty to maintain an effective system. The matters discussed shall include the adequacy of resources, qualifications, experience and training of staff and budgets pertaining to the accounting and financial reporting functions of the Company;

3. to review major investigation findings on risk management and internal control and the management's response to these investigation findings on its own initiative or as delegated by the Board of Directors;

4. to ensure co-ordination between the internal audit function and the external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

5. to review the Group's financial and accounting policies and practices;

6. to review the external auditor's "Letter of Audit Findings" to management, any material query raised by the external audit firm to management about the accounting records, financial accounts or systems of control and management's response;

7. to ensure that the Board of Directors will provide a timely response to the issues raised in the external auditor's "Letter of Audit Findings" to management;

8. to make report to the Board of Directors in respect of the above-mentioned matters and other matters as set out in code provision D.3.3 in Appendix C1 to the Hong Kong Stock Exchange Listing Rules (and the provisions thereof as amended from time to time);

9. to discuss other issues assigned by the Board of Directors;

10. to review the following arrangements of the Company: the employees of the Company can, in confidence, raise concerns about possible irregularities in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations and to take necessary actions accordingly;

(IV) Other matters

1. other duties as provided for in the Articles of Association;

2. to handle other relevant matters as required by laws and regulations and securities regulatory rules of the place where the Company's shares are listed, and as authorized by the Board of Directors;

3. the Company should provide the Audit Committee with sufficient resources to perform its duties.

Article 8 The duties of the Audit Committee to evaluate the effectiveness of internal control shall include, *inter alia*, the following:

(I) to evaluate the appropriateness of the design of the Company's internal control system, and evaluate the financial control of the Company and the risk management systems of the Company;

(II) to review the self-evaluation reports on internal control and/or the internal control audit reports issued by the external auditors, as well as communicate with the external auditors on the issues identified and improvement measures;

(III) to evaluate the results of internal control evaluations and audits and supervise the rectification of internal control deficiencies; to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty.

Article 9 The main duties and powers of the chairman of the Audit Committee are as follows:

(I) to convene and preside over meetings of the Audit Committee;

(II) to supervise and examine the implementation of resolutions passed at meetings of the Audit Committee;

(III) to sign important documents of the Audit Committee;

(IV) to report their work to the Board of Directors of the Company on a regular basis;

(V) to exercise other powers granted by the Board of Directors.

Article 10 The Audit Committee shall report to the Board of Directors on measures or improvements it deems necessary and make recommendations.

Article 11 The Audit Committee has the right to engage independent consultants, legal advisers and other advisers as and when necessary to carry out its affairs. The Company must provide such financial and funding assurances as the Audit Committee deems appropriate to pay for the remuneration of accounting firms providing financial auditing services and related services such as audit, review and verification, as well as the remuneration of consultants engaged by the Audit Committee.

CHAPTER IV WORKING PROCEDURES OF THE AUDIT COMMITTEE ON ANNUAL REPORT

Article 12 The Audit Committee shall earnestly perform its duties and obligations in the preparation and disclosure process of the Company's annual report, and perform its work diligently.

Article 13 The finance department is responsible for making preliminary preparation work for decision-making by the Audit Committee, and provides written information on relevant aspects of the Company:

(I) relevant financial reports of the Company;

(II) work reports of internal and external auditors;

(III) external auditing contracts and related work reports;

(IV) disclosure of information by the Company to external parties;

(V) significant connected transactions of the Company;

(VI) other relevant matters.

Article 14 The meetings of Audit Committee will comment on the report provided by the finance department and submit the relevant materials of written resolutions to the Board of Directors for discussion:

(I) evaluation on work performance, engagement and replacement of external auditors;

(II) whether the internal audit system of the Company has been effectively implemented and whether the financial report of the Company is comprehensive and true;

(III) whether the Company's disclosure of information, such as financial report, to external parties is objective and true, and whether the Company's significant connected transactions have complied with the requirements of relevant laws and regulations;

(IV) appraisal on the work of the Company's finance department, audit department and the persons in charge;

(V) Other relevant matters.

Article 15 In the process of auditing on the annual financial report of the Company, the Audit Committee shall perform the following duties:

(I) coordinate the time schedule of audit work of accounting firm;

(II) review the Company's annual financial information and accounting statements;

(III) supervise the performance of the Company's annual audit by the accounting firm;

(IV) evaluate and summarize the audit work performed by accounting firm;

(V) make proposal on the engagement or replacement of external auditor;

(VI) other duties as required by relevant laws and regulations.

Article 16 The Audit Committee shall, in accordance with the Company's annual report disclosure schedule and actual situation, jointly determine the audit time of the annual financial report through consultation with the accounting firm.

Article 17 During the preparation and review periods of the annual report, members of the Audit Committee are obliged to maintain confidentiality. Prior to the disclosure of the annual report, there should be strict prevention against the leakage of inside information, insider dealing and other acts in violation of laws and regulations.

Article 18 The person in charge of financial affairs of the Company shall submit to the Audit Committee in writing the arrangement of audit work for the current year and other relevant materials, including the financial accounting statements prepared by the Company, before on-site audit work is commenced by the auditor of the annual audit.

The Audit Committee shall review the financial accounting statements prepared by the Company, and form written opinions on the review results for submission to the auditor conducting the annual audit.

Article 19 The Audit Committee shall strengthen communication with the auditor of annual audit after it commences on-site audit work.

Article 20 After the auditor of annual audit has issued the preliminary audit opinion and before convening the Board meeting to review the annual report, the Company should arrange a meeting between the Audit Committee and the auditor of annual audit to communicate on the problems discovered during the auditing process. The meeting should have written records signed by the parties involved.

Article 21 The Audit Committee shall supervise the auditor of annual audit to submit the audit report within the agreed time limit, and record the manner, frequency and results of the supervision in the form of written opinions, and they shall be signed by the relevant responsible person for confirmation.

Article 22 Before the Company convenes the Board meeting to consider the annual report, the Audit Committee shall vote on the Company's annual financial statements and submit the resolutions to the Board of Directors for review.

Article 23 The Audit Committee shall submit to the Board of Directors a summary report on the audit work conducted by the accounting firm for current year, and submit to the Board of Directors a resolution on the re-appointment or replacement of the accounting firm for the next year. The above documents produced by the Audit Committee shall be disclosed in the annual report.

Article 24 The Audit Committee must pay extra attention to the circumstances in which the Company changes its engagement with an accounting firm during the audit period of its annual report. In principle, the Company shall not change the engagement with an accounting firm for annual audit during the audit period of the annual report. If any change of engagement is necessary, the Audit Committee shall conduct a meeting with the existing accounting firm and the proposed accounting firm to be engaged to conduct a reasonable evaluation of their quality of practice, and shall express its opinion based on its judgment on the adequacy of the reasons for the change of engagement by the Company. After a resolution is passed by the Board of Directors, a shareholders' meeting shall be convened for approving the resolution, and the accounting firm to be replaced will be notified to attend the meeting for stating its opinions at the shareholders' meeting. The Company shall fully disclose the resolutions of the shareholders' meeting and the opinions of the replaced accounting firm.

CHAPTER V RULES OF PROCEDURE OF THE AUDIT COMMITTEE

Article 25 The meetings of Audit Committee are divided into regular meetings and extraordinary meetings. Regular meetings of the Audit Committee shall be convened at least once quarterly, shall be notified to all members five days before the date of convening the meeting. An extraordinary meeting may be convened by more than half of the committee members or by the convener, and shall be notified to all members three days before the date of convening the meeting. For an extraordinary meeting proposed to be convened by members of the Audit Committee, the aforesaid notice period may be waived with written consent from more than half of all members.

Article 26 Meetings of the Audit Committee shall be convened and presided over by the convener. If the convener is unable or refuses to perform his/her duties, he/she shall designate or appoint another member who is an independent non-executive director to perform his/her duties on his/her behalf.

Article 27 The notice of meeting shall at least include the following:

(I) time, place and method of convening the meeting;

(II) the duration of the meeting;

(III) topics to be discussed at the meeting;

(IV) the contact person of the meeting and his/her contact information;

(V) the date of the notice of the meeting.

Article 28 A meeting of the Audit Committee shall be held only by the presence of more than two-thirds of the members; each member has one vote; resolutions made at the meeting must be passed by more than half of all members.

Article 29 The members of the Audit Committee shall attend the meetings in person and clearly express their opinions on the matters to be considered. If a member is unable to attend the meeting in person for some reasons, he/she may appoint another member to attend the meeting and express opinions on his/her behalf. For a member who is an independent non-executive director, he/she may only appoint another independent non-executive director to attend the meeting. Each member may only accept appointment from one other member.

Article 30 If another member is appointed as proxy to attend the meeting and exercise voting right, a power of attorney should be submitted to the chairman of the meeting. The power of attorney should be submitted to the chairman of the meeting no later than before voting at the meeting.

Article 31 The power of attorney shall be signed by the appointer and the appointee and shall include at least the following:

(I) the name of the appointer;

(II) the name of the appointee;

(III) matters to be handled by the appointee;

(IV) instructions on the exercise of voting right on the topics of the meeting (for, against, abstain);

(V) the time limit of the authorization;

(VI) the date of signing the power of attorney.

Article 32 If a member of the Audit Committee neither attends the meeting in person nor appoints another member to attend the meeting on his/her behalf, he/she is deemed to be absent from the relevant meeting. If a member fails to attend two consecutive meetings, he/she is deemed to be unable to perform his/her duties and powers properly, and the Board of Directors of the Company may remove him/her from his/her position as a member.

Article 33 Voting at the meetings of Audit Committee shall be performed by show of hands or by poll.

Article 34 Meetings of the Audit Committee may be held either by means of on-site meetings or by means of communication meetings. Communication meetings include teleconferences, video conferences and written resolution meetings.

Article 35 When a meeting of the Audit Committee is convened by way of written resolutions, the written resolution shall be sent to all members by fax, express courier or personal delivery. After the members have voted on the resolution, the original resolution shall be mailed back to the Company for filing. If the number of members who have signed and given consent meets the required number of members stipulated in these terms of reference, the resolution shall become the resolution of the committee.

Article 36 At a meeting convened by the Audit Committee, other directors, senior management officers of the Company may also be invited to attend the meeting when necessary. If necessary, the Audit Committee may engage intermediaries to provide professional advice for its decision-making, and the expenses shall be borne by the Company. The Board of Directors shall ensure that the Audit Committee is provided with sufficient resources to discharge its duties.

Article 37 Minutes of the meetings shall be kept by the Audit Committee. Any doubts or objective opinions expressed by the directors shall be included in the minutes. The first draft and final version of the minutes of meetings shall be dispatched to all members present at the meeting within a reasonable period of time after the meeting for expression of opinions on the first draft and for record purpose with the final version, and a summary of the minutes shall be compiled after the meeting, which together with the resolutions passed, shall be submitted to the Board of Directors (except such submission is prohibited by law or regulatory restriction). Members who have attended the meeting shall sign on the minutes of meeting and the resolutions. Members with dissenting views on the resolutions should be specified in the minutes of meeting or summary of minutes. The minutes of meetings shall be kept by the secretary to the Board of Directors of the Company, and shall be kept for at least 10 years during the existence of the Company.

Article 38 The minutes of meeting shall include at least the following:

(I) the date, place, method of convening the meeting and the name of the convener;

(II) the names of the persons attending the meeting, proxies appointed to attend the meeting on behalf of others shall be specified;

(III) the meeting agenda;

(IV) the voting method of each resolution or proposal and the voting result indicating the number of votes for, against or abstention;

(V) other matters that shall be explained and recorded in the minutes of meeting.

Article 39 The resolutions passed and the voting results of the meetings of Audit Committee shall be notified to the Board of Directors of the Company by the members of the committee or the secretary to the Board of Directors of the Company no later than the day after the effective date of the resolutions of the meeting (except it is not possible to do so due to legal or regulatory restrictions).

Article 40 Members of the Audit Committee who have interests in matters discussed at the meeting shall abstain from deliberation and voting.

Article 41 All attendees are obliged to keep confidential the matters discussed at the meeting and shall not disclose relevant information without authorization.

Article 42 The Audit Committee should report to the Board of Directors on actions or improvements it deems necessary and make recommendations on the steps that may be adopted.

CHAPTER VI ANNUAL SHAREHOLDERS' MEETING

Article 43 The chairman of the committee is required to attend the annual Shareholders' meeting of the Company and be prepared to answer any questions raised by shareholders on matters relating to the duties of the Audit Committee.

Article 44 If the chairman of the committee is unable to attend the annual Shareholders' meeting of the Company, he/she must make arrangement for another member of the committee to attend the annual Shareholders' meeting. Such person shall be prepared to answer questions raised by shareholders regarding the work of the committee at the annual Shareholders' meeting.

CHAPTER VII SUPPLEMENTAL PROVISIONS

Article 45 Unless otherwise specified, the terms used in these terms of reference shall have the same meaning as those used in these Articles of Association.

Article 46 The terms "above" and "within" mentioned in these terms of reference include the original number; "exceeds" and "less than" do not include the original number.

Article 47 For any matters not covered by these terms of reference, the Company shall comply with the relevant laws, regulations or regulatory documents (including the listing rules of the place where the shares of the Company are listed), and these Articles of Association, the resolutions of the Company's Shareholders' meetings or provisions of other relevant rules and regulations for implementation; if these terms of reference are inconsistent with the provisions of the relevant laws, regulations or regulatory documents (including the listing rules of the place where the shares of the Company are listed) or these Articles of Association, the provisions of the relevant laws, regulations or regulatory documents (including the listing rules of the place where the shares of the Company are listed) and these Articles of Association shall prevail for implementation.

Article 48 The Shareholders' meeting shall be responsible for the formulation and amendment of these terms of reference, as well as their interpretation.

Article 49 These terms of reference shall take effect and be implemented upon being reviewed and approved by the Company's Shareholders' meeting and on the date when the overseas-listed foreign shares (H Shares) of the Company issued in its initial public offering are listed and traded on The Stock Exchange of Hong Kong Limited.

Reconova Technologies Co., Ltd.