

**Zuoli Kechuang Company Limited\***  
**Terms of Reference for the Audit Committee**  
**of the Board of Directors**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** To enhance the decision-making capability of the Board of Directors, conduct post-audit and professional audit, ensure effective supervision of the Board over the management, and improve the corporate governance structure, in accordance with the Company Law of the People’s Republic of China, 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”), the Corporate Governance Code (under Appendix C1 of the Listing Rules) for listed companies (hereinafter referred to as the “Corporate Governance Code”), the Articles of Association of Zuoli Kechuang Company Limited (hereinafter referred to as the “Articles of Association”) and other relevant provisions, the Company established the Audit Committee of the Board of Directors pursuant to the resolution of the Board and formulated these Terms of Reference.

**Article 2** The Audit Committee of the Board is a specialized working body established under the Board. Its primary function is to review the financial condition of the Company, assess the financial information of the Company and make judgment on its truthfulness, completeness and accuracy, monitor the execution of internal control mechanism and improve the ability and level of risk control in the Company, and is responsible for coordinating, supervising and inspecting internal and external audits of the Company.

**CHAPTER 2 COMPOSITION**

**Article 3** The Audit Committee shall comprise at least three members, and the number of members shall always be an odd number. All members shall be the non-executive Directors, and the majority of whom shall be independent non-executive Directors. At least one member shall be an independent non-executive Director who has appropriate professional qualifications as stipulated in the Listing Rules, or accounting or related financial management expertise. A former partner of the Company’s existing external audit institution shall be prohibited from acting as a member of the Audit Committee within two years from the following dates (whichever is later):

- (1) when such former partner ceases to be a partner of the said accounting firm; or
- (2) when such former partner ceases to hold any financial interest of the said accounting firm.

\* *For identification purposes only*

**Article 4** The members of the Audit Committee shall be nominated by the Chairman of the Board, more than one half of the independent non-executive Directors, or more than one-third of the Directors, and elected by the Board.

**Article 5** The Audit Committee shall have one chairman (as a convenor) who shall be an independent non-executive Director and is responsible for chairing the Committee. The chairman shall be elected by the Board of Directors.

The chairman of the Audit Committee is responsible for convening and presiding over the meetings of the Audit Committee. In the circumstances where the chairman fails to or is unable to fulfill his/her duty, he/she shall appoint and delegate his/her duty to another member of the Committee. In the circumstances where the chairman neither fulfills his/her duty nor delegates his/her duty to another member of the Committee, any member of the Committee may report to the Board of Directors of the Company and the Board shall appoint one member to perform the convenor's duties.

The chairman of the Audit Committee shall attend the annual general meeting of the Company and be prepared to answer any questions from shareholders regarding the responsibilities of the Audit Committee. If the chairman of the Audit Committee is unable to attend the annual general meeting, he or she must arrange for another committee member to attend the meeting. The person must be prepared to answer questions from shareholders regarding the work of the committee at the annual general meeting.

**Article 6** The term of office of the Audit Committee shall be consistent with that of the Board. A member may seek re-election upon expiry of his/her term. During his/her term of office, if any member ceases to be the Director of the Company or any committee member as an independent non-executive Director loses his/her independence as required under the Articles of Association and the 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 specify the reasons for resignation and matters which need to be brought to the attention of the Board of the Company as necessary. Upon the loss of qualification or permission to resign, the position(s) vacated by such member(s) of the Audit Committee shall be filled according to the relevant laws, regulations, normative documents and provisions of Articles 3 to 5 in the above.

**Article 7** The Audit Committee shall appoint one secretary held by the secretary of the Board responsible for keeping full minutes of the meetings of the Audit Committee. The secretary of the Audit Committee shall send the draft meeting minutes to all members of the Committee for their review and comments within three working days after the conclusion of the meeting and send the meeting minutes to all members of the Committee for their confirmation within fourteen working days after the conclusion of the meeting.

**Article 8** 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 TERMS OF REFERENCE

**Article 9** The primary duties and authorities of the Audit Committee include:

(1) to make recommendations to the Board on the appointment, reappointment and removal of the Company's external audit institution, and to advise the Board on the remuneration and terms of engagement of the external audit institution as well as any matters relating to the resignation or dismissal of any audit institution; where the Board of the Company disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external audit institution, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board of the Company has taken a different view.

(2) to review and monitor the external audit institution's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards; the Audit Committee shall discuss with the external audit institution the nature and scope of the audit and the reporting obligations before the audit commences. Where more than one external audit institution is engaged, it shall ensure the external audits cooperate well. The Audit Committee shall set up the following procedures to review and monitor the independence of the external audit institution:

- (i) to consider all relations between the Company and the external audit institution (including the provision of non-audit services);
- (ii) to acquire information from the external audit institution every year to understand the policies and processes that the external audit institution has taken to maintain his/her independence and monitor the compliance of the execution of relevant rules which include the regular rotation of the partners and officers of the auditing; and
- (iii) to interview the external audit institution in the absence of the management at least once a year to discuss the auditing fee and other auditing related issues as well as other issues proposed by the external audit institutions.

(3) to develop and implement policies on the engagement of an external audit institution (including its affiliates) to supply non-audit services and advise the Board in respect thereof. For this purpose, the affiliates of the external audit institution shall include any entity that is under common control, ownership or management with the external audit institution, or any entity which is a reasonable and fully informed third party having knowledge of all relevant information would reasonably conclude as part of such audit institution nationally or internationally. The Audit Committee shall ensure that the provision by an external audit institution of non-audit services does not impair its independence or objectivity. As to the non-audit services, the Audit Committee shall take into account the following issues:

- (i) whether the skills and experience of the external audit institution make it a suitable supplier of the non-audit services;

- (ii) whether safeguards are taken to ensure that the external audit institution's objectiveness and independence in auditing shall not be influenced by providing such services;
- (iii) the nature of non-audit services, fee level, individually and total fee of the services provided by such external audit institution; and
- (iv) to determine the salary level of the staff performing the audit.

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

(4) to monitor the integrity of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports (if to be published), review the significant judgments about financial reporting within the statements and reports, as well as the disclosure of the Company's financial information. The Audit Committee shall pay special attention to the following when submitting the related statements and reports to the Board:

- (i) changes to accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments arising from audit;
- (iv) going concern assumptions and any qualification;
- (v) compliance with accounting standard; and
- (vi) compliance with the Listing Rules (especially those relating to financial reporting) and legal requirements.

(5) As to the subsection (4):

- (i) the members of Audit Committee shall keep communication with the Board and senior management. The Audit Committee shall meet with the audit department of the Company at least twice a year, and
- (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and shall 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 auditors;

(6) to discuss with the external audit institution about issues and areas of concern arising from the audit on half-year and full-year accounts and any other matters that the external audit institution may wish to discuss (in the absence of management if necessary).

(7) to review the Company's financial control and (unless expressly addressed by a separate board risk committee, or by the board itself) to review the Company's risk management and internal control systems.

(8) to discuss with the management the risk management and the system of internal control and ensure that management has discharged its duty to establish an effective internal control system. The issues to be discussed shall include the adequacy of resources, staff qualification and experience, training programmes and budget of the Company's accounts and financial reporting function. If the annual report contains any statement of the internal control system of the Company, the statement shall be reviewed before being submitted to the Board for approval.

(9) to understand and grasp the major risks faced by the Company and the status of risk management, study risk control measures and make recommendations, and to consider any major findings of investigations with respect to risk management and internal control and management's response thereto.

(10) to review the internal audit plan of the Company to ensure that the internal audit coordinates well with the external audit institution, and the internal audit is adequately resourced for its functions and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function.

(11) to review the operating, financial and accounting policies and practices of the Company and its subsidiaries (if applicable in the future).

(12) to review the following arrangements by which employees of the Company may, in confidentiality, 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 the Company to carry out fair and independent investigation of such matters and for appropriate action.

(13) the Audit Committee shall, jointly with the Board, formulate the Company's policies relating to the hiring of employees or former employees of the external audit institution and monitor the application of such policies. The Audit Committee shall consider whether the relevant circumstances have impaired or appeared to impair, the external audit institution's judgment or independence in respect of the audit.

(14) to act as the key representation between the Company and the external audit institution and to oversee the relations between them.

(15) to review the external audit institution's management letter, any material queries raised by the external audit institution to the management in respect of the accounting records, financial accounts or control systems and the management's response.

(16) to ensure that the Board will provide a timely response to the issues raised in the external audit institution's explanatory statement on the audit issued to the management.

(17) to report to the Board in respect of all the matters under its responsibility, including the matters under the Corporate Governance Code, and the circulation by the secretary of the Audit Committee of meeting minutes and reports of the Audit Committee to all members of the Board.

(18) to formulate and review the corporate governance policy and practices of the Company and make recommendations in respect thereof to the Board.

(19) to review and monitor the training and continuous professional development for Directors and senior management.

(20) to review and monitor the policies and practices of the Company in respect of compliance with laws and regulatory requirements.

(21) to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors.

(22) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

(23) to perform other duties as required by applicable laws, regulations, normative documents, relevant regulations of the securities regulatory authorities at the places where the shares of the Company are listed, the Articles of Association, the procedural rules of the Board meetings, or other matters as authorized by the Board of Directors.

(24) to consider other subjects as defined by the Board.

**Article 10** The Audit Committee shall make available its terms of reference explaining its role and the authority delegated to it by the Board by including them on The Stock Exchange of Hong Kong Limited's website and the Company's website.

**Article 11** The Audit Committee shall be accountable to the Board and submit its proposal to the Board for consideration and approval. The Audit Committee shall cooperate with members of the Board of Supervisors for the work of supervisory audit.

**Article 12** The Audit Committee shall be provided with sufficient resources to perform its duties.

#### **CHAPTER 4 DECISION-MAKING PROCEDURES**

**Article 13** The Company and the related departments shall be responsible for making preliminary preparation for decision-making by the Audit Committee and providing information in the following (including but not limited to) aspects:

(1) Relevant financial reports of the Company;

(2) Work reports of internal and external audit institutions;

- (3) External audit contract and relevant work reports;
- (4) Disclosure of information made by the Company;
- (5) Audit reports for material connected transactions of the Company;
- (6) Other relevant matters.

**Article 14** The Audit Committee shall hold meeting to review the above information, enter into advanced discussion on (including but not limited to) the following matters, and submit the resolutions from the related results to the Board for consideration and discussion:

- (1) Appraisal on work performance of external audit, and the engagement and change of external audit institutions;
- (2) Whether the internal audit system of the Company has been effectively implemented and whether the financial reports of the Company are authentic in all aspects;
- (3) Whether the Company's internal policy has been effectively implemented;
- (4) Whether information disclosed to the public by the Company, such as financial report, is objective and authentic, and whether the material connected transactions of the Company comply with relevant laws and regulations;
- (5) Appraisal on work performance of the financial department and audit department of the Company, including the person-in-charge;
- (6) Other relevant matters.

## **CHAPTER 5 RULES OF PROCEDURE OF MEETINGS**

**Article 15** Meetings of the Audit Committee shall include regular meetings and extraordinary meetings. Regular meetings shall be held at least four times every year, once every quarter; and extraordinary meetings shall be convened upon proposal by members of the Audit Committee. A notice shall be sent to all the members of the Committee ten days before convening of a meeting. The chairman shall chair the meeting but can delegate his duty to another member of the Committee (independent Director) in the circumstances where the chairman cannot attend the meeting.

The person-in-charge for daily operation of the Company's Audit Committee (The Internal Auditing Department) is responsible for circulating the notice of meeting of the Audit Committee; the notice of meeting shall at least include the following information: the date and venue of the meeting, the duration of the meeting, agenda items to be discussed in the meeting, contact person and contact information of the person and the date of the notice. The complete proposal to be discussed in the meeting shall be enclosed in the notice issued.

The notice of the Audit Committee shall be delivered in written form and that of an extraordinary meeting can be delivered by way of telephone call, email or other effective ways. If a notice of meeting is delivered without a written objection within two days since the date of the delivery (by telephone call, email or other effective ways) of such notice, the person notified shall be deemed to have received the notice of the meeting.

**Article 16** The meeting of the Audit Committee shall be held only if more than two thirds of the members are present; each member shall have the right to one vote; the resolutions made at the meetings shall be approved by more than half of all the members.

**Article 17** Voting in meetings of the Audit Committee shall be done by a show of hands; and voting in extraordinary meetings may be conducted by means of communications.

**Article 18** The Audit Committee may require the person-in-charge of the relevant department of the Company to attend the meeting. If necessary, the Audit Committee may invite Directors, Supervisors and other senior management of the Company to attend the meeting but those other than members of the Audit Committee shall have no voting right of the resolutions.

**Article 19** If necessary, the Audit Committee may engage an intermediary agency to provide professional advice on its decision-making, with relevant expenses borne by the Company.

**Article 20** The resolution of the Audit Committee shall take effect upon signing by the members. Amendment or changes to an effective resolution of the committee can only be made following the legal procedures prescribed in the relevant laws and regulations, the Articles of Association and provisions in these terms of reference.

**Article 21** Resolutions and voting results adopted at the meetings of the Audit Committee shall be reported to the Board of the Company in writing.

**Article 22** Minutes shall be taken on all meetings of the Audit Committee and signed by each attending member and recorders of minutes. Members present at such meetings are entitled to require his/her speech at meetings to be explicitly recorded in minutes. All meeting minutes shall be kept by the Secretary of the Board for at least ten years during the existence of the Company.

**Article 23** The minutes of the Audit Committee meetings shall include, as a minimum, 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 for each resolution or proposal; other matters need to be indicated and recorded in the meeting minutes.

**Article 24** The convening procedure and voting method of the meeting of the Audit Committee and the resolutions passed at such meetings must comply with the relevant laws, regulations, the Articles of Association and provisions in these terms of reference.

**Article 25** Resolutions passed and voting results of the meeting of the Audit Committee shall be reported to the Board of Directors of the Company in writing.

**Article 26** Members present at the meetings shall have an obligation to keep all matters discussed in such meetings confidential, and shall not disclose the relevant information without authorization.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 27** Any matters not covered by these terms of reference shall be implemented in accordance with national laws and regulations and the Articles of Association. If these terms of reference contravene any laws and regulations to be issued in the future by the State, the Articles of Association legally modified and the requirements of the securities regulatory authorities in the place where the Company's shares are listed, the national laws and regulations or the Articles of Association and the requirements of the securities regulatory authorities in the place where the Company's shares are listed shall prevail, and these terms of reference shall be amended immediately and reported to the Board of Directors for approval.

**Article 28** The authority of interpretation of these terms of reference shall be vested in the Board of Directors.

**Article 29** These terms of reference shall become effective after consideration and approval by the Board of Directors.

**Zuoli Kechuang Company Limited\***

18 June 2026

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