

# ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD

### CHAPTER 1 GENERAL PROVISIONS

**Article 1** In order to enhance the internal control, audit and connected transaction systems and ensure effective management of the Board for the senior management of Zhejiang Leapmotor Technology Co., Ltd and its subsidiaries (the “Company”) in financial reporting, risk management and internal control, and improve the corporate governance structure, the Audit Committee under the Board is established and these terms of reference are formulated in accordance with relevant laws and regulations such as the Company Law of the People’s Republic of China (the “Company Law”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Listing Rules and the provisions of the Articles of Association of Zhejiang Leapmotor Technology Co., Ltd (the “Articles of Association”).

**Article 2** The Audit Committee (the “Committee”) is a standing committee under the Board and is principally performing its monitoring function in the following areas:

- (I) truthfulness of financial reports and procedures for financial reporting;
- (II) effectiveness of risk management and internal control systems;
- (III) ensuring that the Company’s resources in accounting, internal audit and financial reporting functions, qualifications and experience of accounting and reporting personnel, and the training for relevant employees and budget for relevant expenditures are adequate;
- (IV) reviewing the findings of internal investigations and responses from management in relation to any suspected dishonesty, non-compliances, or suspected violations of laws, rules and regulations;
- (V) assessing whether the Company has any major internal control defaults or weaknesses;
- (VI) ensuring the adequacy and effectiveness of the details and frequency of the monitoring results reported by relevant functional departments to the Board and its committees;
- (VII) assessing the changes in the nature and extent of significant risks faced by the Company after the previous year and the Company’s ability to respond to the changes in its businesses and external environment;
- (VIII) performance of internal audit functional departments and personnel;
- (IX) appointment of external auditors and assessment of their qualifications, independence and performance;

- (X) periodic review and annual audit of the Company's financial reports; and
- (XI) compliance with relevant accounting standards and legal and regulatory requirements on financial information disclosures.

**Article 3** The Committee shall be responsible for risk management and monitoring and shall be accountable to the Board. The senior management shall be responsible for the preparation, submission and truthfulness of financial reports and provide the confirmation to the Committee regarding the effectiveness of the relevant risk management and internal control systems. The senior management and external auditors shall both be ultimately accountable to the Board and shareholders.

## **CHAPTER 2 COMPOSITION**

**Article 4** The Committee shall consist of at least three members who shall all be non-executive directors and appointed by the Board. The majority of the members shall be independent non-executive directors. The Committee shall be chaired by an independent non-executive director.

**Article 5** At least one member of the Audit Committee shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

**Article 6** A former partner of the existing auditor responsible for auditing the Company's accounts shall not serve as member of the Company's Audit Committee for a period of two years from the following dates (whichever is later):

- (I) the date when he ceases to be a partner of the firm; or
- (II) the date when he ceases to have any financial interest in the firm.

**Article 7** Members of the Committee shall attend regular meetings of the Committee, and shall actively express their opinions on matters proposed at the meetings. They shall have a thorough understanding of the roles and responsibilities of the Committee and themselves as members of the Committee and be familiar with the operation mode, business activities and development of the Company.

**Article 8** The person in charge of internal audit of the Company shall be present at the meetings of the Committee to provide assistance. At the request of the Committee, the senior management, the person in charge of finance (also known as "Chief Financial Officer") and representatives of external auditors of the Company shall also be in attendance at some or all meetings of the Committee or participate in the discussion of certain matters proposed at the meetings.

**Article 9** The secretary of the Board or the joint company secretaries of the Company or their proxy shall be the secretary of the Committee.

### CHAPTER 3 DUTIES AND RESPONSIBILITIES

**Article 10** According to the provisions of the Corporate Governance Code, the duties of the Committee shall include the following functions:

- (I) to consider and make recommendations for the appointment, re-appointment, remuneration, and terms of engagement of the external auditor and any matters on its resignation or dismissal;
- (II) to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences, to regularly review the effectiveness of the audit process and the independence of the external auditor;
- (III) to develop and implement the Company's policies on engaging external auditors to supply non-audit services. (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 and making recommendations on any matters where action or improvement is needed. Where the Board disagrees with the Audit Committee's view on the selection, appointment, termination or dismissal of the external audit firm, the Company shall include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view;
- (IV) to monitor the integrity of the Company's financial statements, annual reports, accounts, half yearly reports and, if prepared for publication, quarterly reports, and to review significant financial reporting opinions contained in them. The Committee should focus particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the corporate going concern assumptions and any qualifications;
  - (v) compliance with the accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

Regarding the above items that shall draw particular focus in the reviewing process, the Audit Committee shall communicate with the Board and senior management as well as the internal and external auditors in a timely manner. Members of the Committee shall meet with the external audit firm at least twice a year. The Audit Committee shall consider material or irregular matters reflected or required to be reflected in such reports and accounts, and shall give due consideration to matters raised by the Company's accounting and finance department, compliance department or auditor.

- (V) to review and monitor the Company's financial controls, risk management and internal control systems;
- (VI) to discuss the risk management and internal control systems with management to ensure that management has performed its duty and established an effective internal supervision system;
- (VII) to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and management's response to these findings;
- (VIII) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and in addition, to ensure that the internal audit function has adequate resources and appropriate standing within the Company, and to review and monitor its effectiveness;
- (IX) to review the Group's financial and accounting policies and practices;
- (X) to review the external auditor's Auditing Letter to the management, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and management's response;
- (XI) to ensure that the Board will provide a timely response to the issues raised by external auditor to the management in the Auditing Letter;
- (XII) to report to the Board on the aforesaid matters; and
- (XIII) to consider other topics, as defined by the Board.

**Article 11** The Audit Committee shall have the following terms of reference:

- (I) to review the following arrangements formulated by the Company: employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action by the Company; and
- (II) to act as the key representative body for overseeing the Company's relations with the external auditor.

**Article 12** The Audit Committee should establish whistleblowing policies and system for employees and those who deal with the Company (e.g., customers and suppliers) to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company. The Audit Committee should also establish policies and systems that promote and support anti-corruption laws and regulations.

## CHAPTER 4 POWER

**Article 13** The Committee has the right to seek adequate resources and administrative support from senior management of the Company, and has separate and independent access to senior management of the Company.

**Article 14** Senior management are expected to support the work of the Committee in the best possible faith to ensure that they provide the Committee with all necessary information that is appropriate in respect of the Company's operation, business, status etc. for the Committee to fulfil its responsibilities on a timely basis. The Committee has the right to request any member of senior management and any employee of the Company to promptly respond to queries raised by any member of the Committee as comprehensive as possible. Information provided to the Committee shall be accurate and complete, and be in the form and of the quality enabling the Committee to make an informed decision.

**Article 15** The Committee has the right to act on its own or at the appointment of the Board to investigate major internal control issues, review the Company's operating, financial and accounting policies and practices, study relevant findings and responses of the senior management, and report the results of the investigation or review to the Board and make relevant recommendations.

**Article 16** Members of the Committee may, upon reasonable request, seek independent professional advice for their decision-making in appropriate circumstances, at the Company's expense. In the event of seeking advice from an external consultant, such consultant shall be appointed by the chairperson of the Committee and its opinions shall be directly submitted to the chairperson of the Committee (independent of the senior management).

## CHAPTER 5 RULES OF PROCEDURE

**Article 17** The Committee shall convene meetings at least twice a year before the regular meetings of the Board. Notices shall be given to all members no less than 3 business days prior to the meeting, but such notice period may be waived with the written consent from more than half of the members.

**Article 18** Extraordinary meetings may be convened upon proposal by the chairperson or more than half of all members. Notices of extraordinary meetings shall be given to all members no less than 3 business days prior to the meeting, but such notice period may be waived with the written consent from more than half of the members.

**Article 19** Materials and notice of the meetings of the Committee shall be issued simultaneously. Members shall fully read meeting materials prior to the meeting.

**Article 20** In principle, the meetings of the Committee shall be convened by way of a physical meeting with the presence of more than half of all members. The meetings may also be convened by telecommunication means or circulation of written resolutions provided that members are able to fully express their opinions. Telecommunication means refer to the use of telephone, video and other means of communications to participate in the meeting; circulation of written resolutions refers to the way of making decision on proposals through separate or circulated service and consideration. The quorum of the meetings of the Committee shall be two, one of whom must be an independent non-executive director.

**Article 21** The chairperson of the Committee shall preside over the meetings of the Committee. In the event that the chairperson of the Committee is unable to attend, another member (independent non-executive director) may be designated to preside over the meetings. If such designation is not made, more than half of the members being present shall select a member (independent non-executive director) to preside over the meetings.

**Article 22** Members of the Committee shall attend the meetings in person. In the event that a member is unable to attend, he/she may authorize another member in writing to attend and vote on his/her behalf. The proxy who attends and votes at the meeting shall submit the power of attorney to the chairperson of the meeting before it begins. The power of attorney shall set out the name of the principal, name of the proxy, matters delegated, voting instructions on matters proposed at the meeting (for or against), scope and validity period of authorization, and shall be signed or sealed by the principal. The proxy shall exercise the right within the scope of authorization. The principal who authorizes other members to attend the meeting on his/her behalf shall be solely liable to any decisions made by the proxy within his/her scope of authorization.

**Article 23** Votes at the meetings of the Committee shall be conducted by a show of hands, by voice or by disclosed ballot, and every member shall have one vote. Resolutions made at the meetings shall not take effect unless they are passed by more than half of all members (including members unable to be present). Members of the Committee shall give express votes, either for or against, and may not abstain from voting.

**Article 24** Representatives of the auditors shall usually attend the meetings of the Committee to provide assistance. At the request of the Committee, it may also invite non-members of the Committee such as directors, supervisors, relevant members of senior management and head of relevant departments of the Company to be in attendance at some or all of the meetings of the Committee. Prior approval from the chairperson of the Committee shall be obtained for the list of such persons in attendance at the meeting.

**Article 25** Any member who is involved in any resolution considered at the meetings of the Committee, the principal and any of his/her associates shall abstain from attending the meetings.

**Article 26** Full records of the meetings of the Committee shall be kept. Minutes of the meetings of the Committee shall sufficiently record the matters considered and decisions reached by the Audit Committee and auditors in detail, including all concerns raised by the directors or dissenting views expressed. Members attending the meetings shall sign on the final version of the minutes of the meetings.

**Article 27** Members of the Committee and persons in attendance at the meetings are liable to keep all considered matters confidential and shall not disclose such relevant information without approval.

## CHAPTER 6 REPORTING PROCEDURES

**Article 28** All minutes of the meetings prepared by the Committee in accordance with the Article 26 of these terms of reference shall be kept by the secretary of the Audit Committee and be available for inspection at any reasonable time on reasonable notice by any director. Draft and final versions of minutes of the meetings should be sent to all committee members for their comment and records, within a reasonable time after the meeting.

**Article 29** The Committee shall regularly report to the Board on matters set out in these terms of reference, including the work of the Committee, and shall notify the Supervisory Committee of the same, unless it is prohibited by laws or regulatory rules.

## CHAPTER 7 ANNUAL GENERAL MEETING

**Article 30** The chairperson of the Committee shall attend annual general meetings of the Company and be prepared to answer any shareholder's questions in relation to the duties of the Audit Committee.

**Article 31** If the chairperson of the Committee is unable to attend an annual general meeting of the Company, he/she shall arrange for another member of the Committee to attend in his/her place. Such person shall be prepared to answer any shareholder's questions in relation to the work of the Committee at the annual general meeting.

## CHAPTER 8 EFFECTIVE DATE AND AMENDMENTS

**Article 32** These terms of reference shall take effect from the date of the initial public offering of the overseas listed foreign shares of the Company (H Shares) and listing on the Main Board of the Hong Kong Stock Exchange subject to consideration and approval by the Board. Where it is necessary to amend these terms of reference in light of changes in actual situations, the amendments shall be proposed by the Committee and submitted to the Board for consideration and approval.

**Article 33** Matters not covered by these terms of reference shall be handled in accordance with the requirements of relevant state laws and regulations, the Listing Rules and the Articles of Association; in case that there is any inconsistency between these terms of reference and any future state laws and regulations, the Listing Rules or the Articles of Association amended by lawful procedures, the relevant state laws and regulations, the Listing Rules and the Articles of Association shall prevail and these terms of reference shall be amended accordingly subject to the approval of the Board.

**Article 34** These terms of reference shall be interpreted by the Board.

**Zhejiang Leapmotor Technology Co., Ltd.**  
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