麗珠醫藥集團股份有限公司

**LIVZON PHARMACEUTICAL GROUP INC.***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 1513)**

# TERMS OF REFERENCE OF THE AUDIT COMMITTEE UNDER THE BOARD (ADOPTED ON 23 OCTOBER 2025)

## 1 MEMBERSHIP

(a) The Audit Committee (hereinafter referred to as the "**Committee**") shall be appointed by the Board of Directors (hereinafter referred to as the "**Board**") of Livzon Pharmaceutical Group Inc.* (hereinafter referred to as the "**Company**") from amongst the non-executive directors. The members of the Committee shall be nominated by the Chairman of the Board, more than half of the independent non-executive directors (hereinafter referred to as the "**INED(s)**") or one-third of all directors, and shall be elected by the Board. The Committee shall consist of not less than three members who are the non-executive directors of the Company. The members of the Committee shall be directors who do not hold any senior management position in the Company, a majority of whom shall be INEDs. At least one member must be an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "**HK Listing Rules**"). The composition of the Committee shall comply with the requirements of the HK Listing Rules and the Stock Listing Rules of the Shenzhen Stock Exchange (hereinafter referred to as the "**Shenzhen Listing Rules**") from time to time.

(b) The Chairman of the Committee (hereinafter referred to as the "**Convener**" or the "**Chairman of the Committee**") shall be an INED, and shall have professional qualifications in accounting. The Chairman of the Committee shall be responsible for presiding over the Committee, elected by the members of the Committee and submitted to the Board for approval.

(c) A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing:

(i) to be a partner of the firm; or

(ii) to have any financial interest in the firm,

whichever is the later.

(d) The term of office of the members of the Committee shall be equivalent to that of the Board members. Upon expiry of a term, a member shall be eligible to be re-elected. If any member resigns from the position of director of the Company during his/her term of office, he/she shall automatically cease to be a member of the Committee, and the vacancy shall be filled by the Committee in accordance with Article 1 hereto. A member of the Committee may not be removed without cause before the expiration of his or her term, unless he/she is restricted from holding office according to the Company Law of the People's Republic of China, the Articles of Association, the Shenzhen Listing Rules or the HK Listing Rules.

## 2 ATTENDANCE AT MEETINGS

(a) Unless otherwise stated herein, the meetings of the Committee shall be governed by the provisions contained in the Articles of Association for regulating the meetings and proceedings of directors, and the provisions of the relevant laws, regulations and these terms of reference shall be complied with.

(b) The quorum for a meeting of the Committee shall be more than two-thirds of all its members, all of whom must be INEDs. Each member has one vote. Resolutions shall be passed by a majority of all members present.

(c) Subject to paragraph 4 below, the Chairman of the Board, the Chief Financial Officer and the Head of Internal Audit and Compliance (hereinafter referred to as the "**Head of IAC**") of the Company shall normally be invited to attend meetings of the Committee. Other directors and the representative of the external auditors shall be invited to attend the Committee meetings where appropriate, at the Company's expense. Other staff who have specific responsibility for an area under review may also be invited to attend.

(d) The Company Secretary (i.e. the Secretary to the Board) shall be the secretary to the Committee (hereinafter referred to as the "**Secretary to the Committee**") who should attend all meetings of the Committee and ensure that full minutes are kept of all meetings. In the event that the Secretary to the Committee is absent, members attending the meeting can appoint other person to act as the secretary to such meeting.

(e) Members of the Committee may participate in a meeting of the Committee in person or by means of telephone conference or video conference or similar communications equipment where live communication between persons participating in the meeting is possible and participation in a meeting pursuant to this provision shall be deemed as attending such meeting in person.

## 3 FREQUENCY OF MEETINGS

The Committee shall hold its regular meetings at least once a quarter. An extraordinary meeting may be convened when proposed by more than two members, or when the Convener considers necessary. Upon the receipt of such request, the Secretary to the Committee shall convene such a meeting as soon as reasonably practicable and having regard to the convenience of all members. Notices must be given to all members of the Committee seven days prior to a regular meeting and five days prior to an extraordinary meeting. The aforesaid notice period may be waived where there is unanimous consent from all members of the Committee. The meeting agenda and all relevant meeting documents shall be distributed to all members no later than three days prior to the scheduled meeting date (or within such other time limit as agreed by the members). In case of emergency, an extraordinary meeting may be convened by notice at any time. Meeting notice shall be delivered verbally or by facsimile, telephone, e-mail, hand, post or other means. The meeting shall be presided by the Chairman of the Committee and, if he/she is unable to attend the meeting, he/she may appoint

another member (who must be an INED) to preside over the meeting.

Members of the Committee who have appointed a proxy to attend and vote on his/her behalf shall submit the instrument of proxy to the chairman of the meeting. The latest time for such submission shall be prior to the commencement of voting at the meeting.

## 4 PRIVATE MEETINGS

The Committee may, in the absence of the executive directors, hold separate private meeting(s) with the internal auditors and/or external auditors as the Committee considers appropriate. However, at least once a year, the Committee shall hold a separate private meeting with the internal auditors and/or external auditors without the presence of the executive directors or senior management.

## 5 COMMITTEE'S RESOLUTIONS

Subject to the requirements under the HK Listing Rules and/or the Shenzhen Listing Rules that any meeting of the Board or the Committee be held in person or by electronic communication, a written resolution signed by all members of the Committee shall be as valid and effective as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the members of Committee. Such resolution may be signed and circulated by e-mail, fax or other electronic communications.

## 6 AUTHORITIES

(a) The Committee is authorised by the Board to investigate and make recommendations on any matter within its terms of reference. The Committee is authorised to seek any materials it requires from any employee or executive director and such persons are directed to co-operate with any request made by the Committee.

(b) The Committee is authorised by the Board, and at the reasonable expense of the Company, to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.

(c) The Head of IAC shall report to the Committee in such form as is specified by the Committee.

(d) The Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.

(e) Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report as contained in the Annual Report of the Company a statement from the Committee explaining its recommendation and also the reasons why the Board has taken a different view.

(f) The Committee shall be provided with sufficient resources to perform its duties.

(g) The Committee may establish a working group to handle daily operations, liaisons and meeting arrangements.

## 7 GENERAL RESPONSIBILITIES

(a) The Committee is to serve as a focal point for communication between other directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.

(b) The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Company and its subsidiaries (hereinafter referred to as the "**Group**"), and as to the adequacy of the external and internal audits.

(c) The Committee shall fulfill other responsibilities as required by the HK Listing Rules and the Shenzhen Listing Rules from time to time.

(d) Save as otherwise provided by the relevant laws, regulations and/or regulatory authorities, members of the Committee attending the meetings shall have an obligation to keep all matters discussed thereof confidential, and shall not disclose the relevant information without permission.

## 8 DUTIES

The main duties of the Committee are to review the financial information of the Company and its disclosure, supervise and evaluate the internal and external audit work and internal control. The following matters shall be submitted to the Board for consideration with the consent of more than half of all members of the Committee:

(1) to disclose financial and accounting reports and the financial information and evaluation report of internal control in the regular reports;

(2) to engage or replace the accounting firm that undertakes the auditing of the Company;

(3) to appoint or dismiss the chief financial officer of the Company;

(4) to change the accounting policies and accounting estimates or to correct the material accounting errors due to reasons other than changes in accounting standards;

(5) to supervise the Company's internal audit system and its implementation;

(6) to be responsible for the communication between internal audit and external audit;

(7) to review the Company's internal control system; and

(8) other matters authorised by laws, regulations, the Articles of Association and the Board.

The Committee shall exercise the functions and powers of supervisory committee as prescribed by the Company Law of the People's Republic of China:

(1) The Committee shall, in accordance with the law, inspect the Company's financial affairs and oversee the conduct of Directors and senior management officers in complying with laws and regulations, the relevant rules of the Shenzhen Stock Exchange and the Articles of Association, and in performing their duties for the Company. The Committee may require Directors and senior management officers to submit reports on the performance of their duties. Directors and senior management officers shall truthfully provide the Committee with relevant information and materials and shall not obstruct the Committee from exercising its functions and powers.

(2) If the Committee becomes aware that any Director or senior management officer has violated any laws or regulations, the relevant rules of the Shenzhen Stock Exchange or the Articles of Association, it shall notify the Board of Directors or report to the shareholders' meeting, and shall promptly make disclosure; it may also report directly to the regulatory authorities.

Other duties of the Committee include:

***Relationship with the Company's external auditors***

(a) to be primarily responsible for making recommendations to the Board on the engagement, substitution, appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal;

(b) to consider the plan for each year's audit submitted by the external auditors and discuss the same at a meeting if necessary;

(c) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards. In this connection, the Committee shall:

(i) Understand the policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff;

(ii) consider all relationships between the Company and the external auditors and in particular, to conduct annual review of all non-audit services performed by the external auditors and the related fee levels, and to ensure that such services do not impair the independence of the external auditors;

(iii) coordinate the communication between the internal audit and the external auditors to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the external auditors may wish to raise;

(iv) consider the Company's policies on hiring of employees or former employees of the external auditors and monitoring the application of these polices and consider whether there has been or appears to be any impairment of the auditors' judgment or independence for the audit; and

(v) ensure that an external auditor's provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor's independence or objectivity in relation to non-audit services, the Committee shall consider:

(aa) whether the skills and experience of the audit firm make it a suitable supplier of non-audit services;

(bb) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;

(cc) the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the audit firm; and

(dd) criteria for compensation of the individuals performing the audit (an analysis of the auditor's remuneration for audit and non-audit services should be provided to the Company by the relevant auditors (for this purpose, auditors include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally). The analysis must include details of the nature and fees paid for each significant non-audit service.).

(d) to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences. If there are more than one auditor involved, coordination among them should be ensured;

(e) to develop and implement policy on engaging the external auditors to supply non-audit services. For this purpose, external auditors include 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

***Review of the Company's financial information***

(f) to audit the financial information of the Company and its disclosures, to monitor integrity of the Company's financial statements and annual report and accounts, and half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the HK Listing Rules and the Shenzhen Listing Rules and legal requirements in relation to financial reporting.

(g) regarding (f) above:

(i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's external auditors; and

(ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and 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 auditors.

***Oversight of the Company's financial reporting system, risk management and internal control systems***

(h) to review the Company's financial controls, to review at least annually the effectiveness of the Group's risk management and internal control systems (the review should cover all material controls, including financial, operational and compliance controls), to supervise the Company's internal audit system and its implementation, to review the Company's internal control mechanisms;

(i) to discuss the risk management and internal control system with management to ensure that management has performed its duty to have 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;

(j) to consider 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;

(k) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, 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;

(l) to review the Group's financial and accounting policies and practices;

(m) to discuss any problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary) and to assist in the resolution of any disagreements or difference between the external auditors and management;

(n) to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(o) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

(p) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and the Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(q) to act as the key representative body for overseeing the Company's relations with the external auditor;

(r) to ensure the Company to establish a whistleblowing policy 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 Committee about possible improprieties in any matter related to the Company;

(s) to consider other topics, as defined by the Board;

(t) ensure the Chairman of the Committee, or in the absence of the Chairman of the Committee, another member of the Committee or failing this, his/her duly appointed delegate, to be available to answer questions at the annual general meetings (annual shareholders' meeting) of the Company, and general meetings at which connected transactions or any other transactions that require independent shareholders' approval; and

(u) to report to the Board on the above matters.

***Review and oversight of the preparation and disclosure of Annual Report***

(v) to fully perform the Committee's role in the review and oversight of the preparation and disclosure of Annual Report:

(i) The Committee shall, based on the disclosure schedule of the Company's Annual Report and in light of practical circumstances, liaise through the Company's chief financial officer with the accounting firm responsible for the Annual Report audit to determine the timetable for the Annual Report audit work.

(ii) The Committee, as it deems appropriate, may review the draft annual financial accounting statements submitted by the Company's finance department before the certified public accountants performing the audit of the Company's annual financial report (hereinafter referred to as the "Annual Audit CPAs") commence their audit fieldwork.

(iii) The Committee may, coordinated through the chief financial officer, strengthen communication with the Annual Audit CPAs after they commence the audit fieldwork and, as it deems appropriate, review the Company's financial statements again after the Annual Audit CPAs issue their preliminary audit opinion.

(iv) The Committee shall urge the accounting firm to submit the annual audit report within the agreed timeframe.

(v) Upon completion of the annual financial accounting report audit, the Committee shall vote on the audited financial report and, after forming a resolution, submit it to the Board of Directors for review.

(vi) After the conclusion of the Annual Report audit work, the Committee shall also submit a summary report from the accounting firm on its audit work for the current year to the Board of Directors, along with a resolution regarding the reappointment or change of the accounting firm for the following year.

When reviewing the proposal for the reappointment of the annual audit accounting firm for the following year, the Committee shall conduct a comprehensive and objective assessment of the firm's completion of the current year's audit work and its professional quality. Upon reaching an affirmative opinion, it shall be submitted to the Board for approval and subsequently to the shareholders' meeting for a resolution. If a negative opinion is formed, the Company shall change its accounting firm.

The Company shall, in principle, not change its annual audit accounting firm during the

Annual Report audit period. If a change is indeed necessary, the Committee shall meet with both the predecessor and the proposed new accounting firms, make a reasonable assessment of the professional quality of both parties, and render its opinion based on its judgment of the adequacy of the Company's reasons for the change. Such opinion, upon approval by a resolution of the Board of Directors, shall be submitted to a shareholders' meeting for a resolution. The replaced accounting firm shall be notified to attend the shareholders' meeting and present its views. The Company shall fully disclose the resolution of the shareholders' meeting and the views stated by the replaced accounting firm.

The Company's chief financial officer shall be responsible for coordinating communications between the Company's Board Committee and the accounting firm, creating the necessary conditions for the Committee to perform the aforementioned duties.

Where the recommendations of the Committee are not adopted or are not fully adopted by the Board, the opinions of the Committee and the specific reasons for not being adopted shall be recorded in the Board's resolutions and disclosed.

## 9 REPORTING PROCEDURES

(a) The Committee shall report to the Board the resolutions passed and voting results in the meeting in writing. At the next meeting of the Board following a meeting of the Committee, the Chairman of the Committee shall report the findings and recommendations of the Committee to the Board unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

(b) The working group of the Committee shall carry out preliminary preparation works to facilitate the Committee's decision making and provide information in writing to the Committee concerning the following matters, which may include but are not limited to:

(i) relevant financial reports of the Company;

(ii) work reports of the internal and external auditing bodies;

(iii) external auditing contract and relevant work reports;

(iv) the Company's public disclosures;

(v) the Company's internal control system and the relevant work reports on its implementation;

(vi) agreements on the Company's connected transactions;

(vii) audit reports for major connected transactions of the Company;

(viii) feedback information about the investigation on the Company's connected parties; and

(ix) other relevant matters.

(c) The reports provided by the working group of the Committee shall be evaluated at the meetings of the Committee and the relevant written resolutions or recommendations shall be reported to the Board for discussion, which may include but not limited to:

(i) the comments on the works carried out by the external auditors, as well as the engagement and replacement of the external auditors;

(ii) whether the internal audit system of the Company is effectively implemented and whether the financial reports of the Company give the full and accurate view;

(iii) whether information, such as financial reports, the Company's public disclosure is objective and true; and whether the major connected transactions of the Company complies with relevant laws and regulations;

(iv) the comments on the works of the Company's financial and audit departments, including the personnel in charge; and

(v) other relevant matters.

(d) Full minutes of Committee meetings shall be kept by the Secretary to the Committee. Draft and final versions of minutes of the meetings shall be sent to all members within a reasonable time after the meeting. The drafts shall be sent to the members for their comments, and the final version shall be sent to the members for their record.

(e) The Secretary to the Committee shall circulate copies of the minutes of the meetings of the Committee to all members of the Board for reference.

(f) Reports and minutes submitted by the Committee to the Board shall be duly approved by the Committee in advance.

## 10 AVAILABILITY AND UPDATE OF THE TERMS OF REFERENCE

These terms of reference shall be updated and revised by the Board according to the actual needs of the Company and the changes in circumstances and regulatory requirements in the places where the shares of the Company are listed (e.g. the HK Listing Rules and the Shenzhen Listing Rules). These terms of reference shall be made available to the public through publication on the websites of The Stock Exchange of Hong Kong Limited and the Company.

These terms of reference shall come into effect upon consideration and approval of the Board of Directors of the Company, and the former "Working Procedures of the Audit Committee under the Board" and "Annual Report Working Procedures of the Audit Committee under the Board" shall be simultaneously repealed.

In case of discrepancy between the official Chinese version and the English translated version of these terms of reference, the Chinese version shall prevail.

* *For identification purpose only*