Zhejiang Galaxis Technology Group Co., Ltd.

Terms of Reference of the Audit Committee

Chapter 1 General Provisions

Article 1 In order to strengthen the Company's internal supervision and risk control, enhance the decision-making function of the board of directors (the "Board") of Zhejiang Galaxis Technology Group Co., Ltd. (hereinafter referred to as the "Company"), ensure pre-audit and professional audit, safeguard the effective oversight of the management by the Board, and improve the corporate governance structure, the Board hereby establishes the Audit Committee and formulates these Terms of Reference of the Audit Committee of the Board of Directors of Zhejiang Galaxis Technology Group Co., Ltd. (hereinafter referred to as these "Terms of Reference") in accordance with the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules, the Articles of Association of Zhejiang Galaxis Technology Group Co., Ltd. (hereinafter referred to as the "Articles of Association"), and other relevant regulations.

Article 2 The Audit Committee of the Board (hereinafter referred to as the "Audit Committee") is a specialised working body established under the Board. It shall exercise the powers of the supervisory board as prescribed under the Company Law, and shall be primarily responsible for the communication, supervision and verification of the Company's internal and external audits, as well as the Company's risk management and internal control functions.

Chapter 2 Composition

Article 3 Members of the Audit Committee shall be appointed by the Board from among its members, and the Audit Committee shall comprise at least three directors. All members shall be non-executive directors of the Company only, of whom independent non-executive directors (at least one of whom shall possess appropriate professional qualifications, or accounting or related financial management expertise that meets regulatory requirements, and satisfy the qualification requirements for financial professionals on audit committees under the Hong Kong Listing Rules) shall constitute a majority. The Board shall appoint one committee member (who must be an independent non-executive director) as the chairperson of the Audit Committee.

Article 4 Members of the Audit Committee (hereinafter referred to as "Members") shall be nominated by the chairperson of the Board, more than one-half of the independent non-executive directors, or more than one-third of all directors, and shall be elected by the Board. The election of Members shall be approved by more than half of all directors; provided, however, that any independent non-executive director elected as an accounting professional shall automatically qualify as a candidate without the need for nomination. If there is only one independent non-executive director who is an accounting professional, such director shall be automatically elected.

Article 5 The Audit Committee shall have one chairperson, who shall be an independent non-executive director who is an accounting professional, responsible for convening and presiding over the work of the Audit Committee. Where there are two or more independent non-executive directors who are accounting professionals, the chairperson shall be elected by more than one-half of all Members, and the election shall be submitted to the Board for deliberation and approval.

Article 6 The term of office of Audit Committee Members shall be the same as that of the Board. Members may be re-elected upon the expiration of their term. During their term, if a Member ceases to serve as a director of the Company, or if a Member who is required to hold the status of an independent non-executive director no longer meets the independence requirements as prescribed by the Company Law, the Articles of Association and the Hong Kong Listing Rules, such Member's qualification shall automatically lapse. A Member may submit a written resignation to the Board before the expiration of the term, and the resignation report shall contain a necessary explanation of the reasons for resignation and any matters requiring the Board's attention. Where the composition of the Audit Committee fails to meet the requirements of these Terms of Reference, the Board shall make an announcement in accordance with the requirements of the Hong Kong Listing Rules, and shall fill the vacancy within three months from the date of non-compliance in accordance with these Terms of Reference. The term of office of a replacement Member shall expire at the end of such Member's term as a director. Before the expiration of a Member's term, the Member shall not be removed from office without cause, unless circumstances arise under which the Member is disqualified from serving as prescribed by the Company Law, the Articles of Association, or the Hong Kong Listing Rules.

Article 7 The Audit Committee shall have an Internal Audit Department as its executive body, responsible for the preparation and implementation of internal audit work plans, the issuance of internal audit reports, day-to-day liaison, the organisation of meetings, and other matters approved by the Audit Committee. The Internal Audit Department of the Company shall be accountable to, and shall report to, the Audit Committee.

Chapter 3 Duties and Powers

Article 8 The principal duties and powers of the Audit Committee are as follows:

(1) To propose the appointment, replacement, or reappointment of external auditors, and to determine the relevant audit fees and terms of engagement, and to submit such proposals to the Board for approval; to evaluate the work of the external auditors, and supervise the independence, working procedures, effectiveness, quality and results of the audit procedures of the external auditors; to discuss the nature, scope and reporting obligations of the audit work with the external auditors before the commencement of such work; and to handle any matters relating to the resignation or dismissal of external auditors;

(2) To review and monitor, in accordance with applicable standards, whether the external auditors are independent and objective and whether the audit procedures are effective. The Audit Committee shall discuss the nature, scope, methodology and reporting obligations of the audit with the external auditors before the commencement of the audit work. To achieve an investigation into the independence of the external auditors, the Audit Committee shall: review the relationship between the Company and the firm under consideration (including non-audit services); annually request from the external auditors information regarding their maintenance of independence and monitoring of compliance with relevant requirements, including requirements for the rotation of audit partners and staff; and meet with the external auditors at least once a year in the absence of management to discuss audit fees, any issues arising from the audit, and any other matters the external auditors wish to raise;

(3) To formulate and implement a policy on the engagement of external auditors to provide non-audit services. For this purpose, the term "external auditors" includes any entity that is under the same control, ownership, or management as the firm responsible for the audit, or any entity that a reasonable and informed third party would reasonably conclude to be part of the domestic or international practice of the firm responsible for the audit. The Audit Committee shall report to the Board, identify matters that must be addressed or improved, and make recommendations;

(4) To liaise with the Board and senior management, and supervise the Company's internal audit system and its implementation;

(5) To be responsible for the communication and coordination between internal audit and external audit; to ensure that the internal audit function has adequate resources to operate within the Company and has an appropriate standing, and to review and monitor its effectiveness; and to meet with the external auditors at least twice a year;

(6) To monitor the Company's financial statements and the completeness of the Company's annual reports and accounts, interim reports, and quarterly reports (if any), and to review the significant opinions regarding financial reporting contained in such statements and reports. Before submitting such statements and reports to the Board, the Audit Committee shall review, in particular, the following matters:

    (i) Any changes in accounting policies and practices;

    (ii) Areas involving significant judgement;

    (iii) Significant adjustments arising from the audit;

    (iv) The going concern assumption and any qualifications;

    (v) Compliance with accounting standards; and

    (vi) Compliance with the Hong Kong Listing Rules and legal requirements relating to financial reporting.

The Audit Committee shall consider any significant or unusual matters that are reflected or ought to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the Company's Internal Audit Department or the external auditors;

(7) To examine the management letter issued by the external auditors to management, any significant queries raised by the external auditors to management regarding accounting records, financial accounts, or control systems, and management's response thereto; and to ensure that the Board responds in a timely manner to the matters raised in the management letter issued by the external auditors;

(8) To review the Company's internal control system; to review the effectiveness of the Company's financial controls, risk management, and internal control systems; to consider the Company's risk management strategies and significant risk management solutions; to discuss the risk management and internal control systems with management and to ensure that management has fulfilled its duty to establish effective systems. Such discussions shall include whether the Company's resources, staff qualifications and experience in accounting and financial reporting functions are adequate, and whether the training programmes and related budgets for staff are sufficient; and to conduct, on its own initiative or at the Board's request, research on significant findings relating to risk management and internal control matters and management's responses thereto;

(9) To review the Group's financial and accounting policies and practices;

(10) To report to the Board on matters relating to the Corporate Governance Code as set out in the Hong Kong Listing Rules;

(11) To review the Company's continuing connected transactions and to ensure compliance with the terms approved by the shareholders of the Company;

(12) To be responsible for evaluating and determining the risks relating to the Company's environmental, social and governance ("ESG") matters, and to ensure that the Company has appropriate and effective ESG risk and internal control systems in place;

(13) To report to the Board on matters set out in these Terms of Reference;

(14) To examine the Company's finances;

(15) To supervise the conduct of directors and senior management in the performance of their duties, and to recommend the removal of directors or senior management who violate laws, administrative regulations, the Articles of Association, or resolutions of the general meeting of shareholders;

(16) To require directors and senior management to take corrective action when their conduct is detrimental to the interests of the Company;

(17) To propose the convening of extraordinary general meetings of shareholders, and to convene and preside over general meetings of shareholders when the Board fails to fulfil its duty to convene and preside over such meetings as prescribed by law;

(18) To submit proposals to general meetings of shareholders;

(19) To bring legal proceedings against directors and senior management in accordance with Article 189 of the Company Law;

(20) Other matters authorised by the Board as prescribed by relevant laws, administrative regulations, the regulatory rules of the place where the Company's shares are listed, and the Articles of Association (including the relevant powers of the supervisory board as prescribed under the Company Law).

Article 9 The Audit Committee shall have the following powers:

(1) The right to regularly hear reports from the Company's Internal Audit Department and the finance and accounting department, and to regularly obtain the Company's internal and external audit reports and financial reports. When the Audit Committee deems it necessary, it may require the Internal Audit Department or the external auditors to conduct special audits, provide relevant work or advisory reports, and may also engage legal advisors and obtain relevant legal opinions. The Audit Committee shall have the right to obtain the Company's annual production and operation plans, annual financial budgets, reports on significant investment matters, important contracts and agreements, and all other materials deemed necessary by the Audit Committee.

(2) The right to visit external audit and advisory institutions, key customers and suppliers, and significant creditors and debtors. When the Audit Committee deems it necessary, it may conduct special investigations, such as on-site inspections, asset inventories, confirmation of significant receivables and payables, and investigation and evidence gathering from relevant parties.

(3) To review the arrangements established by the Company for its employees to raise concerns, in confidence, about possible improprieties in financial reporting, internal controls, or other matters. The Audit Committee shall ensure that proper arrangements are in place for the Company to conduct fair and independent investigations into such matters and to take appropriate action.

(4) To act as the principal representative between the Company and the external auditors, and to be responsible for monitoring the relationship between the two.

Article 10 The Audit Committee shall be accountable to the Board. Proposals of the Audit Committee shall be submitted to the Board for deliberation and decision. The Audit Committee shall report to the Board at least once every quarter, covering matters including, but not limited to, the progress and quality of internal audit work and any significant issues identified.

Chapter 4 Decision-Making Procedures

Article 11 The Internal Audit Department shall be responsible for the preparatory work for the Audit Committee's decision-making, and shall provide written materials relating to relevant aspects of the Company, including but not limited to:

(1) Relevant financial reports of the Company;

(2) Semi-annual and annual internal control inspection and supervision work reports;

(3) Work reports of the internal auditor;

(4) External audit contracts and related work reports;

(5) Internal control evaluation reports;

(6) Information on the Company's external disclosures;

(7) Audit reports on significant related party transactions/connected transactions of the Company;

(8) Financial and legal materials relating to significant investment projects;

(9) Other relevant matters.

Article 12 At meetings of the Audit Committee, the reports or materials provided by the Internal Audit Department shall be reviewed, resolutions shall be made on relevant matters, and written resolutions together with related materials shall be submitted to the Board. Such matters include, but are not limited to:

(1) Evaluation of the work of external auditors, and the appointment and replacement of external auditors;

(2) Whether the Company's internal control system and internal audit system have been effectively implemented, and whether the Company's financial reports are comprehensive and true;

(3) Whether the semi-annual and annual internal control self-assessment reports are comprehensive and true;

(4) Whether the financial reports and other information disclosed externally by the Company are comprehensive and true, and whether the Company's significant related party transactions and connected transactions are in compliance with relevant laws and regulations;

(5) Evaluation of the work of the Company's finance department and Internal Audit Department, including their respective heads;

(6) Other relevant matters.

Article 13 The procedures for the Audit Committee's review of annual financial reports are as follows:

(1) The timing of the annual financial report audit shall be determined through consultation between the Audit Committee and the accounting firm responsible for the Company's annual audit;

(2) The Audit Committee shall urge the accounting firm to submit the audit report within the agreed timeframe;

(3) The Audit Committee shall review the financial statements prepared by the Company before the annual audit certified public accountants commence their on-site work, and shall, in principle, issue a written opinion;

(4) After the annual audit certified public accountants have commenced their on-site work, the Audit Committee shall strengthen its communication with them and shall review the Company's financial statements again after the annual audit certified public accountants issue their preliminary audit opinion, and shall, in principle, issue a written opinion;

(5) After the completion of the financial audit report, the Audit Committee shall vote on whether to approve the report, and shall submit the resolution to the Board for review;

(6) At the time of submitting the financial report to the Board, the Audit Committee shall also submit to the Board a summary report on the accounting firm's audit work for the current year and a resolution on the reappointment or replacement of the accounting firm for the following year.

Chapter 5 Rules of Procedure

Article 14 Meetings of the Audit Committee shall be convened at the request of the Board or upon the proposal of Audit Committee Members. Audit Committee meetings shall consist of regular meetings and ad hoc meetings. Regular meetings shall be held at least twice a year, one of which shall be held before the Board's review on the annual report each year. Written notice (including by email, text message, or other electronic means) shall be given to all Members three days prior to the meeting. The requirement for advance notice may be waived with the unanimous consent of all Members. Meetings shall be presided over by the chairperson. If the chairperson is unable to attend, the chairperson may delegate another Member (who shall be an independent non-executive director) to preside over the meeting. Ad hoc meetings may be convened when the chairperson of the Audit Committee considers it necessary, when more than half of the Members so propose, or at the suggestion of the chairperson of the Board.

Article 15 Meetings of the Audit Committee shall require the attendance of more than two-thirds of the Members before they may be held, and at least one Member present must be an independent non-executive director. A Member who is unable to attend may appoint another Member in writing to attend and vote on their behalf. The letter of proxy shall state the name of the proxy, the matters authorised, the scope of authorisation, and the period of validity, and shall be signed or sealed by the appointing Member and submitted to the chairperson of the meeting no later than the time of voting, provided that no Member may accept proxies from more than two Members simultaneously. A Member who is unable to attend in person may also exercise their rights by submitting written opinions on the matters to be discussed, provided that such written opinions shall be submitted to the Board office no later than before the meeting is convened. A Member who neither attends the Audit Committee meeting, nor appoints a representative to attend, nor submits written opinions before the meeting, shall be deemed to have waived their voting rights at that meeting.

Each Member shall have one vote. Votes shall be cast as "for", "against", or "abstain". In the event of a tie between votes for and against, the chairperson of the Audit Committee shall have a casting vote. Resolutions of the meeting must be approved by more than half of all Members, and such resolutions or opinions shall be signed by the Members present at the meeting.

Article 16 Voting at Audit Committee meetings shall be conducted by a show of hands or by poll. Meetings may be held in person or by way of written resolutions through telecommunications (non-in-person meetings).

Article 17 Members of the Internal Audit Department may attend Audit Committee meetings as non-voting participants. Where necessary, directors and other senior management of the Company may also be invited to attend as non-voting participants. Non-voting participants may provide explanations or statements on matters discussed at the meeting, but non-Members shall have no voting rights. Furthermore, where a Member has a material interest in a matter under discussion by the Audit Committee, such Member shall recuse themselves from voting on that matter.

Article 18 The Company shall provide the Audit Committee with sufficient resources to discharge its duties. Where necessary, the Audit Committee may engage intermediary institutions to provide professional advice for its decision-making, with the costs to be borne by the Company.

Article 19 The procedures for convening Audit Committee meetings, the manner of voting, and the resolutions passed at meetings shall comply with the relevant laws, regulations, the regulatory rules of the place where the Company's shares are listed, the Articles of Association, and these Terms of Reference.

Article 20 Minutes shall be kept of Audit Committee meetings, and the Members present shall sign the minutes. Members present shall have the right to request that explanatory notes be made in the minutes regarding their statements at the meeting. The minutes shall be kept by the company secretary of the Board for a period of not less than ten years.

Article 21 The minutes of Audit Committee meetings shall include at least the following:

(1) The date, venue, and name of the convener of the meeting;

(2) The names of the persons present, with special notation for those attending on behalf of another;

(3) The agenda of the meeting;

(4) Key points of Members' statements;

(5) The manner of voting and the result for each resolution or proposal (the results shall state the number of votes for, against, and abstaining); and

(6) Other matters that should be noted and recorded in the minutes.

Article 22 Resolutions and voting results adopted at Audit Committee meetings shall be reported to the Board in writing.

Article 23 All Members present at the meeting shall have a duty of confidentiality with respect to the matters discussed at the meeting, and shall not disclose relevant information without authorisation, unless otherwise required by relevant laws, regulations, and/or regulatory authorities.

Chapter 6 Recusal System

Article 24 Where a Member of the Audit Committee, or their immediate family member, or any other enterprise controlled by such Member or their immediate family member, has a direct or indirect material interest in a matter under discussion at the meeting, such Member shall disclose the nature and extent of the interest to the Audit Committee as soon as practicable.

Article 25 Where the circumstances described in the preceding Article arise, the interested Member shall provide a detailed explanation of the relevant circumstances at the Audit Committee meeting and shall expressly declare their recusal from voting. However, if the other Members, after deliberation, unanimously determine that such interest would not have a significant impact on the matter to be voted on, the interested Member may participate in the vote.

Where the Board considers it inappropriate for the interested Member referred to in the preceding paragraph to participate in the vote, the Board may revoke the voting result of the relevant resolution and require the non-interested Members to vote again on the relevant resolution.

Article 26 Where the Audit Committee deliberates on and makes a resolution on a proposal without counting the interested Member toward the quorum, and the Audit Committee no longer meets the minimum quorum after the interested Member's recusal, all Members (including the interested Member) shall pass a resolution on procedural matters such as referring the proposal to the Board for deliberation, and the Board shall deliberate on such proposal.

Article 27 The minutes and resolutions of Audit Committee meetings shall state that the interested Member was not counted toward the quorum and did not participate in the vote.

Chapter 7 Supplementary Provisions

Article 28 As used in these Terms of Reference, the terms "above" and "within" are inclusive of the stated number; the term "more than half" is exclusive of the stated number.

Article 29 As used in these Terms of Reference, the terms "related" and "related party" shall have the same meanings as "connected" and "connected person(s)" under the Hong Kong Listing Rules, respectively.

Article 30 These Terms of Reference shall take effect upon approval by the Board and the consent of the general meeting of shareholders to abolish the supervisory board, provided that the provisions applicable to a listed company shall take effect on the date on which the H shares publicly issued by the Company commence trading on the Main Board of The Stock Exchange of Hong Kong Limited. From the effective date of these Terms of Reference, the Company's previous Terms of Reference of the Audit Committee shall automatically cease to have effect.

Article 31 Matters not covered by these Terms of Reference shall be governed by the relevant national laws, regulations, the regulatory rules of the place where the Company's shares are listed, and the Articles of Association. In the event of any conflict between these Terms of Reference and any subsequently promulgated laws, regulations, regulatory rules of the place where the Company's shares are listed, or the Articles of Association as amended through lawful procedures, the relevant laws, regulations, regulatory rules of the place where the Company's shares are listed, and the Articles of Association shall prevail, and these Terms of Reference shall be promptly amended.

Article 32 In the event of any discrepancy between the Chinese and English versions of these Terms of Reference, the Chinese version shall prevail.

Article 33 These Terms of Reference shall be formulated and interpreted by the Board.