

Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd.

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

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to improve the governance structure of Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd. (hereinafter referred to as the “Company”) and promote the standardized operation of the Company, in accordance with the Company Law of the People’s Republic of China, 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 Articles of Association of Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd. (hereinafter referred to as the “Articles of Association”) and other relevant regulations, the board of directors of the Company has established a special committee, namely the audit committee of the board of directors (hereinafter referred to as the “Audit Committee”), and formulated these terms of reference.

Article 2 The Audit Committee is a special function established by the board of directors in accordance with the Articles of Association, which is primarily responsible for the communication, supervision and verification of internal and external audits of the Company, the evaluation and improvement of the Company’s internal control system, financial reporting, risk management, and risk assessment of major investment projects being operated by the Company. The Audit Committee of the board of directors shall report to the board of directors on its work.

CHAPTER 2 COMPOSITION

Article 3 The Audit Committee shall consist of at least three directors, all of whom shall be non-executive directors, and the majority of its members shall be independent non-executive directors. At least one member of the Audit Committee shall be an independent non-executive director who possesses appropriate professional qualification recognized by the Hong Kong Listing Rules or has appropriate accounting or relevant financial management expertise. A former partner of the audit firm currently responsible for auditing the Company’s accounts shall not serve as a member of the Company’s Audit Committee within two years from the later of the following dates: (a) the date on which the person ceases to be a partner of the firm; or (b) the date on which the person no longer has a financial interest in the firm.

Article 4 Members of the Audit Committee shall be nominated by the chairman of the board of directors, more than half of the independent non-executive directors, or more than one-third of all directors, and shall be elected by the board of directors.

Article 5 The Audit Committee shall have one chairperson (convener), who shall be an independent non-executive director member (who is a professional accountant), and shall be responsible for convening the meeting of the committee and presiding over the work of the committee. The chairperson shall be elected by the Audit Committee and shall be subject to the approval of the board of directors.

Article 6 The term of office of members of the Audit Committee shall be consistent with their term of office on the board of directors, which is three years, and the members are eligible for re-election upon the expiration of their term. During his/her term of office, if any member ceases to serve as a director of the Company, or if any member who has had the capacity of an independent non-executive director ceases to have the independence as required by the laws and regulations, the Articles of Association or the Hong Kong Listing Rules, he/she shall automatically lose his/her membership of the committee, and the vacancy shall be filled by the board of directors in accordance with the provisions of Articles 3 to 5 above. The board of directors shall immediately notify The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Hong Kong Stock Exchange”) and, in accordance with the requirements of the Hong Kong Listing Rules, state by way of an announcement the details of and reasons for the failure to satisfy the relevant requirements, and adjust or make up the composition in accordance with the provisions of Articles 3 to 5 above within three months from the date of failure to satisfy the relevant requirements. The substitute member(s) shall hold office until the expiration of his/her term of office as a director. A member of the committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without cause except for the situations specified in the laws, regulations, the Articles of Association or the Hong Kong Listing Rules.

Article 7 The Audit Committee shall establish an audit working team as a daily operational body, which shall be specifically responsible for routine work liaison and the organization of meetings, etc.; members of the audit working team shall be selected by the Audit Committee.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 8 The Audit Committee should make available its terms of reference on the websites of the Hong Kong Stock Exchange and the Company, explaining its role and the powers delegated to it by the board of directors. The Company shall provide the Audit Committee with sufficient resources to perform its duties. The duties and authorities of the Audit Committee include the following:

- (I) to monitor and evaluate the work of the external audit firm;
- (II) to provide guidance for the internal audit work of the Company;
- (III) to oversee the Company's financial reports and express opinions thereon;
- (IV) to assess the effectiveness of internal controls;
- (V) to coordinate the communication between the management, internal audit department and related departments and external audit firm;
- (VI) other matters required by relevant laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association and authorized by the board of directors of the Company, as well as other matters involved in relevant laws and regulations.

The Audit Committee shall report to the board of directors on any measures or improvements it deems necessary and make recommendations accordingly.

Article 9 The Audit Committee's responsibilities and duties to monitor and evaluate the work of the external audit firm shall include the following:

- (I) to review and monitor the external audit firm's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, in particular, the impact of the provision of non-audit services by the external audit firm on its independence, and the Audit Committee should discuss with the audit firm the nature and scope of the audit and the reporting responsibilities thereon before the audit commences;

- (II) to be primarily responsible for making recommendations to the board of directors on the appointment, re-appointment and removal of the external audit firm, to approve the remuneration and terms of engagement of the external audit firm, and to deal with any issue in relation to the resignation or dismissal of such external audit firm, and where the board of directors disagrees with the opinions of the Audit Committee on selection, appointment, resignation or dismissal of the external audit firm, the Company shall include in the Corporate Governance Report an explanatory statement of the Audit Committee on its recommendations and the reasons for the disagreement of the board of directors;
- (III) to develop and implement policy on engaging an external audit firm to provide non-audit services. For this purpose, the “external audit firm” includes any organization that is under common control, ownership or management with the company responsible for audit or any organization that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the company responsible for audit nationally or internationally. The Audit Committee shall report to the board of directors and make recommendations on any matters where action or improvement is needed;
- (IV) to discuss and communicate with the external audit firm the audit scope, audit plan, audit methodology and significant matters identified during audit;
- (V) to supervise and assess whether the external audit firm is acting diligently and responsibly.

The Audit Committee shall hold a separate communication meeting with the external audit firm in the absence of management at least once a year. The secretary to the board of directors may attend the meeting.

Article 10 The Audit Committee’s responsibilities and duties to provide guidance for the internal audit work shall include the following:

- (I) to review the annual internal audit work plan of the Company;
- (II) to supervise the implementation of the Company’s internal audit plan;

- (III) to review internal audit work reports, evaluate the results of internal audit work and supervise the rectification of major issues;
- (IV) to provide guidance for the effective operation of the internal audit department.

The internal audit department of the Company shall report to the Audit Committee on its work. All types of audit reports submitted by the internal audit department to the management, plans for rectification of audit issues and the status of rectification shall be submitted to the Audit Committee at the same time.

Article 11 The Audit Committee's responsibilities and duties to review the Company's financial reports and express opinions thereon shall include the following:

- (I) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and, if intended for publication, quarterly reports, and to review significant financial reporting opinions contained in them. In reviewing these statements and reports before submission to the board of directors, the committee should focus particularly on:
 - (1) any changes in accounting policies and practices;
 - (2) areas involving important judgement;
 - (3) significant adjustments resulting from audit;
 - (4) the going concern assumptions and any qualified opinion;
 - (5) compliance with accounting standards;
 - (6) compliance with the Hong Kong Listing Rules and legal requirements in relation to financial reporting;

(II) with regard to the item (I) above:

- (1) members of the committee must liaise with the board of directors and senior management. The committee shall meet with the Company's audit firm at least twice a year;
 - (2) the committee should consider any significant or unusual matters that are, or may need to be, reflected in such reports and accounts and should give due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance officer or auditors;
- (III) to review the Company's financial reports and give an opinion on the truthfulness, completeness and accuracy of the financial reports;
- (IV) to particularly focus on significant accounting and audit issues in the Company's financial reporting, including adjustments for material accounting errors, significant changes in accounting policies and estimates, matters involving critical accounting judgements, and matters leading to a non-standard unqualified audit report, etc.;
- (V) to pay special attention to whether there is any possibility of fraud, malpractice and material misstatement related to financial reporting;
- (VI) to oversee the rectification of financial reporting matters.

Article 12 The Audit Committee's responsibilities and duties to supervise the effectiveness of the financial reporting system, risk management and internal control shall include the following:

- (I) to review the Company's financial controls, risk management and internal control systems, and assess the appropriateness of the design of the Company's internal control system;
- (II) to discuss risk management and internal control systems with management to ensure that the management has fulfilled its responsibilities in establishing effective systems. The discussion should include whether the Company has sufficient resources, staff qualifications and experience in accounting and financial reporting functions, and whether the training courses received by employees and related budgets are sufficient;

- (III) to study, on its own initiative or upon assignment by the board of directors, significant findings of investigations into risk management and internal control matters and management's responses thereto;
- (IV) to ensure that the work of internal and external audit firms is coordinated; and to ensure that the internal audit function is adequately resourced and has an appropriate status within the Company; and to review and monitor its effectiveness;
- (V) to review the Group's financial and accounting policies and practices;
- (VI) to review the Explanatory Letter on Audit issued by the external audit firm to the management, any material queries raised by the audit firm to management about accounting records, financial accounts or control systems and management's response;
- (VII) to ensure that the board of directors provides a timely response to the issues raised in the Explanatory Letter on Audit issued by the external audit firm to the management;
- (VIII) to report to the board of directors on matters relating to Rule D3.3 of Part 2 of the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules;
- (IX) to review internal control self-assessment reports;
- (X) to review the internal control audit reports issued by the external audit firm, and communicate with the external audit firm on issues identified and improvement methods;
- (XI) to evaluate the results of internal control evaluations and audits and supervise the rectification of internal control deficiencies; and
- (XII) to research other topics as defined by the board of directors.

Article 13 The Audit Committee's responsibilities and duties to coordinate the communication between the management, internal audit department as well as related departments and external audit firm shall include the following:

- (I) to coordinate management's communication with external audit firm on significant audit issues;
- (II) to coordinate the communication between the internal audit department and the external audit firm and cooperate with the external audit work, act as the main representative between the Company and the external audit firm, and be responsible for monitoring the relationship between the two.

Article 14 The terms of reference of the Audit Committee shall also include a review of the arrangements put in place by the Company for employees of the Company to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate action to be taken by the Company.

Article 15 The Audit Committee shall be accountable to the board of directors, and its proposals shall be submitted to the board of directors for consideration and decision.

CHAPTER 4 RULES OF PROCEDURE

Article 16 Meetings of the Audit Committee shall be classified as regular meetings and interim meetings, and shall be convened and presided over by the convener of the Audit Committee. Where the convener of the Audit Committee is unable or refuses to perform such duties, he/she shall designate an independent non-executive director member to perform such duties on his/her behalf; where the convener neither performs such duties nor designates other independent non-executive director member to perform such duties on his/her behalf, a member jointly elected by more than half of the members shall be responsible for convening and presiding over the meeting.

The Audit Committee shall hold at least two meetings per year.

The Audit Committee may convene interim meetings as required. Interim meetings may be convened when two or more members of the Audit Committee so propose, or when the convener of the Audit Committee deems it necessary.

Article 17 Where a meeting of the Audit Committee is to be convened, the time and venue of the meeting as well as the matters to be considered at the meeting shall be notified to all members three days prior to the meeting.

Article 18 Meetings of the Audit Committee shall be held in the presence of more than two-thirds of the members. Each member shall have one vote. Resolutions made at the meeting must be passed by over half of all members.

Article 19 Members of the Audit Committee are required to attend the meetings in person and express their clear opinions on the matters under consideration. If a member is unable to attend the meeting in person for any reason, he/she may submit a power of attorney signed by him/her to authorize another member to attend and express opinion on his/her behalf. The power of attorney shall specify the scope and duration of the authorization. Each member shall accept proxy from at most one member. If an independent non-executive director member is unable to attend the meeting in person for any reason, he/she shall delegate another independent non-executive director member to attend the meeting on his/her behalf.

Article 20 The voting at a meeting of the Audit Committee may be conducted by show of hands or by poll. Meetings of the Audit Committee may be convened in the form of vote by communications.

Article 21 The Audit Committee may, if it deems necessary, invite representatives of the external audit firm, internal auditors, financial officers, legal advisers and other relevant persons to attend the meetings of the committee and provide necessary information.

Article 22 If necessary, the Audit Committee may engage intermediary agencies to provide professional advice to facilitate its decision-making at the cost of the Company.

Article 23 When a meeting of the Audit Committee is held to discuss any issue related (connected) to a member of the committee at a meeting, such related (connected) member shall abstain from the meeting. Such meeting of the Audit Committee may be held as long as it is attended by over half of non-related (connected) members, and resolutions made at the meeting shall be subject to approval by over half of non-related (connected) members. Where the number of non-related (connected) members attending the meeting is less than half of the total number of non-related (connected) members of the Audit Committee, such issue shall be submitted to the board of directors for consideration.

Article 24 The convening procedure and voting method of a meeting of the Audit Committee as well as the resolutions passed at the meeting shall comply with relevant laws and regulations as well as the provisions of the Articles of Association, the Hong Kong Listing Rules and these terms of reference.

Article 25 Meetings of the Audit Committee shall have minutes. The minutes shall be signed by members present at the meeting and maintained by the secretary to the board of directors.

Article 26 The resolutions passed at the meeting of the Audit Committee and the poll results shall be reported to the board of directors in writing.

Article 27 Members and relevant personnel attending the meeting are obliged to maintain confidentiality regarding the matters discussed at the meeting. Without consideration and approval at the shareholders' meeting or from the board of directors and before the public disclosure of such matters, they shall not disclose any relevant information to anyone without authorization, except for statutory reasons or compulsory orders from the competent authorities.

CHAPTER 5 SUPPLEMENTAL PROVISIONS

Article 28 Matters not covered in these terms of reference shall be dealt with in accordance with laws, regulations, normative documents and the relevant provisions of the securities regulatory authority of the place where the Company's shares are listed, taking into account the actual situation of the Company. In the event of any conflict between these terms of reference and the laws, regulations, normative documents and the provisions of the securities regulatory authority of the place where the Company's shares are listed as promulgated from time to time, the laws, regulations, normative documents and the provisions of the securities regulatory authority of the place where the Company's shares are listed shall prevail.

Article 29 All references in these terms of reference to "more than" shall include the relevant number itself.

Article 30 These terms of reference shall be interpreted and amended by the board of directors of the Company.

Article 31 These terms of reference shall be valid from the date on which the resolutions are passed by the Board, and the previous terms of reference expire automatically.

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