

Hangzhou Qiandaohu Xunlong Sci-tech Co., Ltd.

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

(Applicable after the Issuance and Listing of H Shares)

Chapter 1 General Provisions

Article 1 To enhance the decision-making capability of the Board of Directors (the “**Board**”), conduct proactive and professional audits, ensure effective Board oversight of management, optimize the corporate governance structure, and promote compliant operations, the Company has established the Audit Committee under the Board (the “**Audit Committee**”) and formulated these Terms of Reference. These rules are established pursuant to the *Company Law of the People’s Republic of China*, the *Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the “**Hong Kong Listing Rules**”), the *Corporate Governance Code* in Appendix C1 to the *Hong Kong Listing Rules* (the “**Corporate Governance Code**”), and other applicable regulatory rules of securities regulators and stock exchanges in the Company’s listing jurisdiction(s), including The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), as well as the *Articles of Association of Hangzhou Qiandaohu Xunlong Sci-tech Co., Ltd.* (the “**Articles of Association**”).

Article 2 As a special committee under the Board, the Audit Committee is primarily responsible for coordinating communication between internal and external auditors, organizing internal audits, and supervising the implementation of audit resolutions. The Audit Committee shall exercise the duties and powers of a Board of Supervisors under the *Company Law*, report to the Board, and be accountable to the Board.

Chapter 2 Composition

Article 3 The Audit Committee shall comprise three non-executive directors appointed by the Board, at least two of whom must be independent non-executive directors. Furthermore, at least one independent non-executive director must possess appropriate professional qualifications or accounting or related financial management expertise, as required by the regulatory rules of the securities regulators and stock exchanges in the Company’s listing jurisdiction(s). All members must be independent of the Company’s day-to-day operations and management, and possess the professional knowledge and business experience necessary to fulfill the committee’s duties.

Article 4 Members of the Audit Committee must be directors who do not concurrently hold senior management positions in the Company.

Article 5 Members of the Audit Committee shall be nominated by the chairperson of the Board, more than half of the independent directors or one-third of all directors, and shall be elected by the Board. The composition and appointment of the Audit Committee shall comply with the regulatory requirements of Mainland China and the Company’s listing jurisdiction(s).

Article 6 The Audit Committee shall be chaired by an independent non-executive director who is an accounting professional, responsible for leading the committee's work. The Board shall elect the chairperson directly from among the committee members.

The chairperson shall convene and preside over Audit Committee meetings. If the chairperson is unable or fails to perform his/her duties, he/she shall designate another member to act on his/her behalf. Should the chairperson fail to perform his/her duties or designate another member to act on his/her behalf, any member may report the situation to the Board, which shall then designate a member to fulfill the chairperson's responsibilities.

Article 7 The term of office of the members of the Audit Committee shall align with that of the directors. Members are eligible for re-election upon expiration of their term. If a member ceases to serve as a director of the Company, he/she shall automatically cease to qualify as a member, and the Board shall fill the vacancy pursuant to Articles 3 to 6 above.

Chapter 3 Duties and Powers

Article 8 The primary duties and powers of the Audit Committee include:

- (1) advising the Board on the appointment, reappointment, and removal of the external auditor; approving the external auditor's remuneration and terms of engagement; and handling any matters relating to its resignation or dismissal;
- (2) reviewing and monitoring the external auditor's independence and objectivity, as well as the effectiveness of the audit process in accordance with applicable standards. Prior to the audit, the Audit Committee shall discuss the nature and scope of the audit and relevant reporting obligations with the auditor;
- (3) formulating and implementing policies on the external auditor's provision of non-audit services. For this purpose, the term "external auditor" includes any entity 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's national or international practice. The Audit Committee shall report and make recommendations to the Board on any matters requiring action or improvement;
- (4) monitoring the integrity of the Company's financial statements, annual reports and accounts, interim reports, and, if prepared for publication, quarterly reports, while reviewing significant opinions relating to financial reporting contained therein. Before submitting these statements and reports to the Board, the committee shall review them with particular focus on:
 1. any changes in accounting policies and practices;
 2. major areas involving significant judgment;
 3. significant adjustments resulting from the audit;

4. the going concern assumptions and any qualifications;
 5. compliance with accounting standards; and
 6. compliance with the *Hong Kong Listing Rules* and legal requirements regarding financial reporting.
- (5) In respect of item (4) above:
1. committee members shall liaise with the Board and senior management, and the committee must meet with the Company's auditors at least twice a year; and
 2. the committee shall consider any significant or unusual matters reflected or required to be reflected in such reports and accounts, giving due consideration to any matters raised by the Company's accounting and financial reporting staff, compliance officer, or auditors.
- (6) reviewing the Company's financial controls and, unless explicitly addressed by a separate risk committee under the Board or by the Board itself, reviewing the Company's risk management and internal control systems;
- (7) discussing risk management and internal control systems with management to ensure management has fulfilled its duty to establish effective systems. This discussion shall evaluate the adequacy of the Company's resources, staff qualifications and experience in accounting and financial reporting, alongside the sufficiency of relevant training programs and budgets;
- (8) considering major investigation findings on risk management and internal control matters, along with management's response to such findings, either on its own initiative or as delegated by the Board;
- (9) where an internal audit function exists, ensuring coordination between the internal and external auditors, confirming that the internal audit function is adequately resourced and holds appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- (10) reviewing the Group's financial and accounting policies and practices;
- (11) reviewing the external auditor's management letter, any material queries raised by the auditor to management regarding accounting records, financial accounts, or control systems, and management's responses thereto; and
- (12) ensuring the Board provides a timely response to the issues raised in the external auditor's management letter.
- (13) reporting to the Board on matters relating to the provisions of these Terms of Reference;
- (14) considering other topics as defined by the Board;

- (15) reviewing arrangements by which employees of the Company can, in confidence, raise concerns about possible improprieties in financial reporting, internal controls, 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;
- (16) acting as the key representative body for overseeing the Company's relations with the external auditor;
- (17) supervising and evaluating the external auditor and internal audit work;
- (18) reviewing the Company's financial reports and expressing opinions thereon;
- (19) supervising and evaluating the Company's internal controls;
- (20) facilitating communication between the external auditor and management, the internal audit department (including relevant risk management departments), and other related departments;
- (21) reviewing and verifying the Company's financial information and its disclosures, as well as reviewing and expressing opinions on the Company's financial reports (including assessing their integrity, accuracy, and fairness);
- (22) examining the Company's accounting policies, financial position, financial reporting procedures, and financial controls;
- (23) focusing on significant accounting and auditing issues in the Company's financial reports, including material adjustments of accounting errors, significant changes in accounting policies and estimates, matters involving significant accounting judgments, and matters leading to audit reports with non-standard unqualified opinions;
- (24) supervising the rectification of financial reporting issues;
- (25) reviewing the Company's financial controls, financial policies, risk management, and internal control systems, while monitoring and evaluating their effectiveness. This includes:
 - 1. discussing and evaluating the effectiveness of the financial control, internal control, and risk management systems with management to ensure management has fulfilled its duty to establish effective systems. This discussion shall evaluate the adequacy of the Company's resources, staff qualifications and experience in accounting and financial reporting, alongside the sufficiency of relevant training programs and budgets;
 - 2. ensuring coordination between the Company's risk management departments and the external auditor, confirming that such risk management departments are adequately resourced and hold appropriate authority and standing within the Company, and reviewing and monitoring their effectiveness;

3. reviewing the external auditor's management letter, any material queries raised by the auditor to management regarding accounting records, financial accounts, or control systems, and management's responses thereto; and
 4. ensuring the Board provides a timely response to the issues raised in the external auditor's management letter;
- (26) where an internal audit function exists, ensuring coordination between the internal audit function and the external auditor, confirming that the internal audit function is adequately resourced and holds appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- (27) monitoring potential employee improprieties regarding financial reporting, internal controls, or other matters;
- (28) considering major investigation findings on risk management and internal control matters, along with management's response and relevant measures taken, either on its own initiative or as delegated by the Board;
- (29) performing other duties prescribed by the *Corporate Governance Code* (as amended, supplemented, or otherwise modified from time to time);
- (30) reporting to the Board on the aforementioned matters, and considering any other matters assigned by the Board;
- (31) reporting to the Board on matters relating to the code provisions of the *Corporate Governance Code*;
- (32) exercising the powers and functions of the Board of Supervisors under the *Company Law*; and
- (33) handling other matters required by laws, regulations, departmental rules, normative documents, the laws and regulations of the Company's listing jurisdiction(s), the *Hong Kong Listing Rules*, and the *Articles of Association*, or as authorized by the Board.

Article 9 The Board shall give full weight to the Audit Committee's recommendations regarding the appointment or replacement of the external auditor. The Board shall not table or withhold voting on any such recommendation without sufficient cause or reliable evidence.

Article 10 The Audit Committee has the power to conduct internal audits of the Company's financial activities and financial condition for the preceding fiscal year and the current year. All relevant departments shall actively cooperate and promptly provide the Audit Committee with necessary information.

Article 11 Members of the Audit Committee shall have the right to review relevant information, including:

- (1) the Company's periodic and interim reports;

- (2) financial and accounting materials, such as audit reports, financial reports, account books, and vouchers;
- (3) the Company's internal management rules and bylaws;
- (4) resolutions and minutes of shareholders' meetings, Board meetings, and executive management meetings;
- (5) material contracts and agreements executed by the Company; and
- (6) other relevant information the Audit Committee deems necessary.

Article 12 Members of the Audit Committee may address inquiries to the Company's directors and senior management, who shall provide prompt responses or explanations.

Article 13 The chairperson of the Audit Committee, or another designated member, shall monitor the implementation of Audit Committee resolutions. If any violation is discovered, the chairperson or designated member may direct the relevant personnel to rectify the issue. Should such personnel fail to adopt the recommendation, the chairperson or designated member shall report the matter to the Board for resolution.

Article 14 The Audit Committee shall report and make recommendations to the Board on any matters requiring action or improvement, and management and relevant departments shall cooperate with the Audit Committee in the performance of its duties. To supervise and evaluate the external auditor, the Audit Committee shall:

- (1) evaluate the external auditor's independence and objectivity, particularly the impact of its provision of non-audit services;
- (2) recommend to the Board the appointment, dismissal, or replacement of the external auditor;
- (3) review the external auditor's remuneration and terms of engagement;
- (4) discuss the audit scope, plan, methods, and significant audit findings with the external auditor; and
- (5) monitor and evaluate whether the external auditor performs its duties with due diligence.

The Audit Committee shall hold at least 2 separate meetings annually with the external auditor in the absence of management. The secretary to the Board may attend such meetings.

Article 15 To supervise and evaluate the internal audit work, the Audit Committee shall:

- (1) review the Company's annual internal audit work plan;
- (2) oversee the implementation of the internal audit plan;

- (3) review internal audit work reports, evaluate audit findings, and drive the rectification of material issues; and
- (4) guide the effective operation of the internal audit department.

The internal audit department shall report directly to the Audit Committee. All audit reports, rectification plans, and status updates submitted by the internal audit department to management shall be concurrently copied to the Audit Committee.

Article 16 To review and express opinions on the Company's financial reports, the Audit Committee shall:

- (1) review the financial reports and provide an opinion on their truthfulness, integrity and accuracy;
- (2) focus on significant accounting and auditing issues, including material adjustments of accounting errors, significant changes in accounting policies and estimates, matters involving significant accounting judgments, and matters leading to audit reports with non-standard unqualified opinions;
- (3) pay special attention to potential fraud, misconduct, or material misstatements related to financial reporting; and
- (4) oversee the rectification of financial reporting issues.

Article 17 To supervise and evaluate the Company's internal controls, the Audit Committee shall:

- (1) evaluate the appropriateness of the design of the Company's internal control systems;
- (2) review internal control self-assessment reports;
- (3) review internal control audit reports issued by the external auditor, and communicate identified issues and remediation methods with the external auditor; and
- (4) evaluate internal control assessment and audit results, and drive the rectification of internal control deficiencies.

Article 18 To facilitate communication among management, the internal audit department, other relevant departments, and the external auditor, the Audit Committee shall:

- (1) coordinate communication between management and the external auditor regarding significant audit issues;
- (2) coordinate communication between the internal audit department and the external auditor, and oversee their cooperation with external audit work; and

- (3) monitor the Company's provision of guarantees on an ongoing basis, supervise and evaluate internal controls related to guarantees, and maintain proper communication with the accounting firm regarding such matters. If the committee identifies any abnormalities, it shall promptly advise the Board to take appropriate measures.

Article 19 The Board may consider proposals regarding the appointment, dismissal, or replacement of the external auditor or the chief financial officer, or the public disclosure of financial reports, only after the Audit Committee has reviewed such matters and submitted its recommendations to the Board.

Article 20 Concurrently with its annual report, the Company shall disclose the Audit Committee's role, functions, composition, annual meeting frequency, member attendance records, and annual performance in its *Corporate Governance Report* (the "**Corporate Governance Report**") prepared under the *Hong Kong Listing Rules*, along with remedial steps for any non-compliance with Rule 3.21 of the *Hong Kong Listing Rules* (if applicable).

If any significant issue identified by the Audit Committee triggers public disclosure thresholds, the Company shall promptly disclose the matter and its subsequent rectification.

Should the Board fail to adopt the Audit Committee's recommendations within its scope of duties (including the selection, appointment, resignation, or dismissal of the external auditor), the Company shall include a statement from the Audit Committee explaining its position in the Corporate Governance Report, fully disclosing the reasons for the Board's disagreement.

The Company shall disclose special opinions issued by the Audit Committee on material matters pursuant to applicable laws and regulations.

The Audit Committee shall publish its terms of reference on the websites of the Stock Exchange and the Company to outline its role and the powers delegated to it by the Board.

Article 21 The secretary to the Board shall handle day-to-day liaison and meeting organization for the Audit Committee.

Chapter 4 Decision-Making Procedures

Article 22 The secretary to the Board shall manage preliminary preparations for Audit Committee decisions and provide the committee with the following written materials:

- (1) relevant financial reports;
- (2) work reports from the internal and external auditors;
- (3) external audit contracts and related work reports;
- (4) the status of public financial information disclosures;
- (5) audit reports on material connected transactions;

- (6) materials regarding internal control rules; and
- (7) other relevant matters.

Article 23 The Audit Committee shall evaluate the aforementioned materials during its meetings and submit written resolutions on the following matters to the Board for discussion:

- (1) evaluations of the external auditor's work, and recommendations on its appointment or replacement;
- (2) whether internal audit practices have been effectively implemented and whether financial reports are comprehensive and accurate;
- (3) whether publicly disclosed financial reports and information are objective and accurate, and whether material connected transactions comply with applicable laws and regulations;
- (4) performance evaluations of the internal finance and audit departments, including their respective heads; and
- (5) other relevant matters.

Article 24 The Audit Committee must approve the following matters by a majority vote of all members before submitting them to the Board for consideration:

- (1) disclosure of financial information in financial and accounting reports and periodic reports, as well as internal control evaluation reports;
- (2) appointment or dismissal of the external auditor;
- (3) appointment or dismissal of the Company's chief financial officer;
- (4) changes in accounting policies or estimates, or corrections of material accounting errors, for reasons other than changes in accounting standards; and
- (5) other matters prescribed by laws, regulations, normative documents, the laws and regulations of the Company's listing jurisdiction(s), the *Hong Kong Listing Rules*, and the *Articles of Association*.

Chapter 5 Procedural Rules

Article 25 Meetings of the Audit Committee consist of regular meetings and extraordinary meetings. Regular meetings shall be held at least once a year. The chairperson of the Board, the chairperson of the Audit Committee, or two or more members may jointly call an extraordinary meeting.

Article 26 The Audit Committee shall meet at least once a quarter. An extraordinary meeting may be convened upon the proposal of two or more members, or when the chairperson deems it necessary. An Audit Committee meeting requires a quorum of more than two-thirds of its members.

Resolutions of the Audit Committee must be passed by a majority of all members.

Each member shall have one vote on Audit Committee resolutions.

Minutes of Audit Committee meetings shall be prepared as required, and attending members shall sign the minutes.

Article 27 The Audit Committee shall notify all members 3 days prior to a meeting. The chairperson shall preside over the meeting. If the chairperson is unable to attend, he/she may designate another independent non-executive director to preside. Meetings convened urgently due to special circumstances may be exempt from the aforementioned notice period, but the chairperson shall explain the reasons at the meeting. Meeting notices may be given in writing by hand, fax, registered mail, or email. In emergencies, notice may be given by telephone, which shall include at least the meeting's time, venue and manner of convening, and an explanation of the urgent circumstances necessitating the expedited convening of the meeting, followed promptly by a written notice.

Article 28 An Audit Committee meeting requires a quorum of more than two-thirds of its members. Each member shall have one vote. Resolutions adopted at a meeting must be passed by a majority of all members.

Article 29 Audit Committee members shall attend meetings in person, or may appoint another member in writing to attend and vote as their proxy. The proxy form must be submitted to the chairperson of the meeting, specifying the scope and matters of authorization, and signed by both the appointor and the proxy. This proxy form must be submitted to the chairperson no later than the commencement of voting.

Article 30 Members who neither attend a meeting in person nor appoint a proxy to attend on their behalf shall be deemed to have waived their voting rights at that meeting.

If a member fails to attend meetings in person and fails to appoint a proxy to attend meetings for two consecutive meetings, they shall be deemed unable to properly perform their duties, and the Board may remove them from the committee.

Article 31 Attending members shall diligently consider proposals and fully express their opinions.

Article 32 Voting at Audit Committee meetings shall be conducted by a show of hands or by poll. Extraordinary meetings may be held via telecommunication.

Members may vote "for," "against," or "abstain." Attending members must choose one of these options. If a member fails to choose or selects multiple options, the chairperson shall direct the member to vote again; refusal to do so constitutes an abstention. Members who leave the meeting midway without returning to vote shall be deemed to have abstained. Failure to vote before the voting period expires also constitutes an abstention.

Article 33 The Audit Committee may request the secretary to the Board to attend its meetings, and may invite other directors and senior management to attend when necessary.

Article 34 The Audit Committee may engage independent professional advisers at the Company's expense to provide expert opinions for its decision-making when necessary.

Article 35 If a member of the Audit Committee, their immediate family, or any entity under their control has a direct or indirect interest in a matter under discussion, that member must promptly disclose the nature and extent of such interest. The remaining unaffected members shall decide, by majority vote, whether the interested member must abstain from voting.

If a member fails to disclose a verified conflict of interest, their vote shall be void. If the voided vote alters the voting outcome, the committee shall re-vote on the proposal. Should the new vote change the result, the original resolution shall be revoked and superseded by the new outcome.

A member who fails to disclose a conflict of interest twice shall automatically forfeit their committee membership, and the Board shall fill the vacancy pursuant to the *Articles of Association* and these Terms of Reference.

If abstentions leave the committee without a quorum, the remaining members (including the interested member) may vote on procedural matters to refer the substantive proposal to the Board for review.

Article 36 Meeting minutes or resolutions must explicitly record any abstentions due to conflicts of interest.

Article 37 The convening procedures, voting methods, and resolutions of the Audit Committee must comply with applicable laws, regulations, the *Hong Kong Listing Rules*, the *Articles of Association*, and these Terms of Reference.

Article 38 The Audit Committee shall maintain detailed minutes of its meetings. The minutes must record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Attending members shall sign the minutes and may request that clarifying remarks regarding their statements be included. The secretary to the Board shall maintain the minutes, which must be preserved for 10 years.

Article 39 Approved proposals and voting results of Audit Committee meetings must be documented in writing, signed by attending members, and submitted to the Board.

Article 40 Attending members shall maintain strict confidentiality regarding all meeting proceedings and must not disclose any relevant information without authorization.

Chapter 6 Supplementary Provisions

Article 41 Unless the context otherwise requires, “above” includes the specified figure, while “less than” excludes it. Unless otherwise specified, terms used herein have the same meanings as defined in the *Articles of Association*.

Article 42 These Terms of Reference shall take effect upon approval by the Board and on the date the Company's H shares are successfully filed with the China Securities Regulatory Commission and officially listed and traded on the Stock Exchange.

Article 43 Any matters not covered in these Terms of Reference shall be implemented in accordance with the provisions of the relevant laws, regulations and normative documents of the State, the laws and regulations of the place where the Company's shares are listed, the *Hong Kong Listing Rules*, and the *Articles of Association*. If these Terms of Reference conflict with the laws, regulations and normative documents subsequently promulgated by the State, the laws and regulations of the place where the Company's shares are listed, the *Hong Kong Listing Rules* or the *Articles of Association* as amended through legal procedures, they shall be implemented in accordance with the provisions of the relevant laws, regulations, normative documents of the State, the laws and regulations of the place where the Company's shares are listed, the *Hong Kong Listing Rules* and the *Articles of Association*, and shall be amended immediately and submitted to the Board of Directors for deliberation and approval.

Article 44 The Board is responsible for formulating, amending, and interpreting these Terms of Reference.

Hangzhou Qiandaohu Xunlong Sci-tech Co., Ltd.

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