

Zhonggan Communication (Group) Holdings Limited
中贛通信(集團)控股有限公司

(the “**Company**”)

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2545)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF THE COMPANY**

1. Constitution

The audit committee (the “**Committee**”) of the board of directors (the “**Directors**”) of the Company (the “**Board**”) is established pursuant to a written resolution passed by the Board on 17 June 2024.

2. Membership

2.1. Members of the Committee shall be appointed by the Board from among the non-executive Directors (including independent non-executive Directors). The Committee must consist of not less than three (3) members, a majority of whom must be independent non-executive Directors. At least one (1) of the members of the Committee shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

2.2. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of at least two (2) years from the date of the person ceasing:

- a) to be a partner of the firm; or
- b) to have any financial interest in the firm, whichever is later.

- 2.3. The chairman of the Committee shall be appointed by the Board or elected among the members of the Committee and must be an independent non-executive Director.
- 2.4. The company secretary of the Company shall be the secretary of the Committee. In the absence of the secretary of the Committee, Committee members present at the meeting may elect among themselves or appoint another person as the secretary for that meeting.
- 2.5. The appointment of the members of the Committee may be revoked, replaced or additional members may be appointed to the Committee by separate resolutions passed by the Board and by the Committee. An appointment of a Committee member shall be automatically revoked if such member ceases to be a member of the Board.

3. Meetings of the Committee

- 3.1. The Committee shall meet at least twice a year to review and discuss the annual and interim financial statements of the Company. Additional meetings may be held as and when necessary.
- 3.2. In general, the financial controller of the Company and a representative of the Company's external auditor must attend the meetings. However, the Committee must meet with the external auditor without the presence of executive Directors at least once a year.
- 3.3. The quorum for a meeting shall be any two (2) members of the Committee, at least one of whom must be an independent non-executive Director.
- 3.4. The meetings and proceedings shall be governed by the relevant provisions of the articles of association of the Company (as amended from time to time).
- 3.5. Members may attend a meeting of the Committee either in person or through electronic means of communication or in such other manner as the members may agree.

- 3.6. Resolutions of the Committee shall be passed, if being made during a meeting, by a majority of votes of the members of the Committee attending such meeting. The chairman of the Committee shall have a second or casting vote when an equality of votes occurs.
- 3.7. A resolution in writing passed and signed by all members of the Committee shall be valid, and the validity shall be the same as any resolution passed in the meeting held.
- 3.8. Members must abstain from voting in respect of any resolution which he/she is an interested party.

4. Alternate Committee members

A Committee member may not appoint any alternate.

5. Authority of the Committee

5.1. The Committee may exercise the following powers:

- 5.1.1. to seek any information it requires from any employee of the Company and its subsidiaries (collectively, the “**Group**”) and any professional advisers (including auditor), to require any of them to prepare and submit reports and to attend Committee meetings and to supply information and address the questions raised by the Committee;
- 5.1.2. to monitor whether the Group’s management has, in the performance of their duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time as determined by the Board or a committee thereof);
- 5.1.3. to investigate any activity within these terms of reference and all suspected fraudulent acts involving the Group and request the Group’s management to make investigation and submit reports;

- 5.1.4. to review the Group's risk management and internal control procedures and systems;
 - 5.1.5. to review the performance of the Group's employees in the accounting and internal audit department;
 - 5.1.6. to make recommendations to the Board for the improvement of the Group's risk management and internal control procedures and systems;
 - 5.1.7. to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditor of the Group;
 - 5.1.8. to obtain, at the expenses of the Company, outside legal or other independent professional advice for the purpose of performing its duties or giving assistance to any matters within these terms of reference as it considers necessary and to secure the attendance of outsiders with relevant experience and expertise at its meetings;
 - 5.1.9. to commission reports or surveys as are necessary to assist in the performance of its duties at the cost of the Company;
 - 5.1.10. to have access to sufficient resources in order to perform its duties;
 - 5.1.11. to review annually these terms of reference and their effectiveness in the discharge of the duties of the Committee and to make recommendation to the Board any changes it considers necessary; and
 - 5.1.12. to exercise such powers as the Committee may consider necessary and expedient so that their duties under section 6 below can be properly discharged.
- 5.2. The Company should provide the Committee sufficient resources to perform its duties.

6. Duties of the Committee

The duties of the Committee shall be:

Relationship with the Company's auditor

- 6.1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- 6.2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 6.3. to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; where more than one audit firm is engaged, to ensure co-ordination between them; and
- 6.4. to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The 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

- 6.5. to monitor the integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;
- 6.6. in reviewing these reports (i.e. the Company's annual report and accounts, interim report and, if prepared for publication, quarterly report) before submission to the Board, the Committee should focus particularly on:
 - 6.6.1. any changes in accounting policies and practices;
 - 6.6.2. areas which requires significant judgement;
 - 6.6.3. significant adjustments resulting from the audit;
 - 6.6.4. the going concern assumption and any qualifications;
 - 6.6.5. compliance with accounting standards;
 - 6.6.6. compliance with the Listing Rules and legal requirements in relation to financial reporting;
 - 6.6.7. the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group and whether such connected transactions, if any, have been carried out in accordance with the terms of the agreement governing such transactions;
 - 6.6.8. whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;

6.6.9. any significant or unusual items that are, or may need to be, reflected in such reports and accounts; and

6.6.10. the cashflow position of the Group;

and to provide advice and comments thereon to the Board.

6.7. in respect to clause 6.6 above:

6.7.1. members of the Committee should liaise with the Board and senior management of the Group and the Committee must meet, at least twice a year, with the Company's auditor; and

6.7.2. the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it 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 auditor.

6.8. to discuss issues and reservations with the auditor arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary).

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

6.9. to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee (or by the Board itself), to review the Company's risk management and internal control systems;

6.10. to discuss the risk management and internal control systems 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 control and reporting function;

- 6.11. to consider major investigation findings on risk management, internal control, financial control and reporting matters as delegated by the Board or on its own initiative and management's response to these findings;
- 6.12. where an internal audit function exists, to ensure coordination 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;
- 6.13. to review the Group's financial and accounting policies and practices;
- 6.14. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- 6.15. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 6.16. to conduct exit interviews with any Director, chief financial controller, internal control manager or head of internal audit (or any officer(s) assuming the relevant functions but having a different designation) upon their resignation in order to ascertain the reasons for his/their departure;
- 6.17. to prepare work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;
- 6.18. to consider the appointment of any person to be a Committee member, auditor and accounting staff either to fill a casual vacancy or as an additional Committee member, auditor and accounting staff or dismissal of any of them;
- 6.19. to report to the Board on the matters set out above and the code provision contained in the Corporate Governance Code set out in Appendix C1 to the Listing Rules;
- 6.20. to consider and implement other matters, as defined or assigned by the Board or otherwise required by the Listing Rules from time to time;

- 6.21. 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. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 6.22. to act as the key representative body for overseeing the Company's relations with the external auditor.

Corporate Governance Functions

- 6.23. to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board;
- 6.24. to review and monitor the training and continuous professional development of directors and senior management;
- 6.25. to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
- 6.26. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- 6.27. to review the issuer's compliance with the code and disclosure in the corporate governance report.

7. Annual general meeting

- 7.1. The chairman of the Committee or in his absence, another member of the Committee or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Committee's activities and their responsibilities.
- 7.2. The Company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

8. Powers of the Board

The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Corporate Governance Code set out in Appendix C1 to the Listing Rules or if adopted by the Company, the Company's own code of corporate governance practices), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments or supplements to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended, supplemented or revoked.

9. Publication of the terms of reference of the Committee

The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board by including them on the website of the Company and on the website of the Stock Exchange.

Adopted on 17 June 2024

NOTE: This terms of reference has been translated into Chinese. In case of discrepancies between the English version and Chinese versions, the English version shall prevail.