

利郎 LILANG
CHINA LILANG LIMITED
中國利郎有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1234)

**Terms of Reference of the Environmental, Social and
Governance Committee**

Effective date of these terms of reference:

It was revised by the Board on 11 December 2024, and became effective on 11 December 2024.

I. OBJECTIVES

The Environmental, Social and Governance Committee (the “**Committee**”) is responsible for providing advice and assistance to the Board in relation to the management of environmental, social and corporate governance matters of the Company and its subsidiaries (the “**Group**”). These include corporate governance, policy development, implementation, performance evaluation and reporting.

In this document, Environmental, Social and Governance are areas specified in the GRI Standards issued by the Global Reporting Initiative (GRI).

II. MEMBERS, NOTICES AND QUORUM

1. The Committee shall consist of at least three directors, who shall be appointed by resolution of the Board. All Committee members shall elect one person among themselves to serve as the convener. In the event that the convener takes leave or is unable to convene a meeting for any reason, other members of the Committee designated by him or her shall act as the convener. The term of office of Committee members shall be the same as the term of the appointed Board. When a member of the Committee is dismissed for any reason and the number of members is less than three, the Board shall convene to make a replacement appointment within three months from the date of occurrence. The Chairman of the Committee shall also invite other board members, management and external consultants to attend the meeting as necessary.

2. Composition and members

a) The members of the Committee are appointed by the Board and their terms of office are determined by the Board. The Committee shall consist of the following members:

(1) At least one (1) executive director;

(2) At least two (2) independent non-executive directors; and

(3) Any administrative personnel(s) designated by the Board (no limit on the number).

b) The Chairman of the Committee shall be appointed by the Board from among the members of the Committee. In the event that the Chairman of the Committee or his/her designated agent is absent from a meeting, the other members of the Committee present at the meeting shall elect one of the members to preside over the meeting.

c) The composition of the Committee shall be reviewed annually by the Board and the Company's Nomination Committee to ensure an appropriate balance of expertise, skills and experience.

d) The Committee may also include up to three non-executive directors who are not members of the Board.

- d) Committee members may participate in the Committee meetings through telephone conferencing or other communication devices, and provided that all persons participating in the meeting through the device shall be able to hear each other. Individuals who participate in the meeting in the manner described in these terms shall be deemed to have personally attended the meeting.

IV. RESOLUTIONS OF THE COMMITTEE

A written resolution signed by all members of the Committee shall be valid and effective as if it were passed at a meeting of the Committee. Such written resolution may consist of multiple counterparts in the same format, each document signed by one or more Committee members. Such resolutions may be signed and circulated by fax or other electronic means of communication. This provision shall be without prejudice to any provisions of the Listing Rules in relation to the holding of meetings of the board or the committee.

V. POWERS AND FUNCTIONS

The Committee is authorized by the Board to undertake the following matters:

- a) The Committee may investigate all environmental, social and corporate governance activities within its scope of responsibilities. The Committee is authorized to request any necessary information from employees of the Group. All employees are required to cooperate with the Committee.
- b) If necessary, the Committee may seek independent advice from external professional consultants; experienced third-party professionals will also be invited to attend the meeting, at the Company's expenses.
- c) If necessary, the Committee may request training and resources to fulfil its duties.
- d) The Committee sets objectives and strategic key performance indicators to be implemented by department heads within the organization.

Establishment and functions

- a) The Board shall constitute and establish the Committee with its authorities, responsibilities and specific duties as outlined below.
- b) The purposes of the Committee are to assist the Board in:
 - (1) Effectively governing and overseeing ESG matters;
 - (2) Formulating and reviewing the Group's sustainable development strategic objectives;

- (3) Leading and promoting sustainable development perspectives in the thinking and operational initiatives of various business segments;
 - (4) Identifying, assessing and managing significant ESG risks; and
 - (5) Coordinating and standardizing the collection of ESG-related data and information to improve the quality of ESG information disclosure.
- c) For the purposes of these terms of reference, “sustainable development” refers to “meeting the needs of the present generation without compromising the ability of future generations to meet their own needs”.

Committee duties include:

Environmental, Social and Corporate Governance Vision and Strategy

- a) Review and approve the Group’s ESG vision, objectives and strategies, and annually assess the completion progress towards achieving these objectives. Provide recommendations to the Board on relevant ESG matters, including but not limited to the following topics:
 - (i) Environmental: Manage and reduce the impact of the Company’s operations on the environment, such as climate change response and energy management, carbon neutrality, ecological protection, water resource management and emission management;
 - (ii) Social: Manage the impact of the Company’s operations on various stakeholders in different sectors, such as customers, employees, suppliers and the community, including product safety and customer service, user privacy and data security, occupational health and safety, employee rights and development, respect for human rights and diversity, sustainable procurement, and charitable and social welfare activities; and
 - (iii) Governance: Actively enhance corporate governance within the organization, such as business integrity and anti-corruption oversight, anti-money laundering and anti-unfair competition and transparent disclosure of non-financial information.
- b) Review major international trends in corporate ESG practices and assess the applicability of the Group’s ESG strategies and objectives in relation to its business operations and overall strategy, and to report and make recommendations to the Board (if applicable).
- c) Establish an ESG Task Force within the Group to oversee and guide the comprehensive implementation of the Group’s ESG strategies and related actions.

- d) Review and evaluate the adequacy and effectiveness of the ESG-related frameworks at the Group level.
- e) Identify relevant ESG matters that significantly impact the Group's operations and/or interests of other key stakeholders.
- f) Adopt and update the Group's policies on environmental protection, social responsibility management and corporate governance as necessary.
- g) Review and monitor the Group's ESG policies and practices to ensure compliance with legal and regulatory requirements.
- h) Provide recommendations to the Board on the allocation of resources for ESG initiatives.
- i) Ensure that adequate ESG trainings are provided to relevant employees; and
- j) Oversee investor engagement and materiality assessment processes to ensure effective communication and relationships with investors while maintaining the Group's reputation.

Environmental, Social and Governance Reporting

- k) Determine the reporting standards for ESG report;
- l) Define the reporting scope of the ESG report;
- m) Oversee the progress of the corporate social responsibility (CSR) team in the preparation of ESG report; and
- n) Review the annual ESG report and the CSR section of the annual report prepared by the CSR Team, and submit relevant recommendations to the Board for approval.

Other responsibilities

- o) Review and evaluate the performance of the Committee and its terms of reference to ensure the effectiveness of the Committee's work and submit any appropriate improvement recommendations to the Board for approval; and
- p) Identify and monitor any actions necessary to ensure the Committee is able to fulfill its duties.

While performing the above responsibilities, the Committee must comply with any requirements, guidelines and rules set by the Board or the Company's articles of association or the laws.

Reporting procedures and meetings frequency

The secretary of the Board of the Group shall serve as the Secretary of the Committee. Within a reasonable time after the meeting, the Committee meeting minutes shall be distributed to all Committee members and Board members (excluding Committee members) for record-keeping and tracking purposes.

The Committee shall hold at least one meeting annually. The notice of the meeting, stating the purpose of the meeting, shall be given to Committee members at least seven days in advance. However, this requirement may be waived in case of emergencies. Notice of convening a meeting may be given electronically. If necessary, the convener may call additional meetings.

Minutes of the meeting

The Secretary of the Committee shall record the outcomes and resolutions passed at Committee meetings, including the names and signatures of Committee members present.

The complete record of Committee meetings shall be maintained by the Secretary of the Committee.

Within a reasonable time after the meeting, the Secretary of the Committee shall first circulate a draft of the meeting minutes to all members of the Committee for their comments, followed by the final version for record-keeping. Once approved, the minutes of the meeting shall be distributed to all members of the Board.

A written resolution signed by all members of the Committee shall be considered as valid and effective as if it were passed at a duly convened and held meeting of the Committee. Such resolution may be signed and circulated by e-mail or other electronic means of communication.

If any member of the Committee (or his or her associates) has a material interest in matters to be discussed and/or approved by the Committee, such matters should be addressed at a meeting of the Committee rather than by a written resolution.

Update of Terms of Reference

These terms of reference should be updated and modified as necessary to reflect changes in environmental and regulatory requirements (such as Listing Rules). Any amendments to these terms of reference must be approved by a resolution of the Board of the Company and shall be in full compliance with the Listing Rules and other regulatory requirements.

INTERPRETATION

For the purposes of these Terms of Reference, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors of the Company
“Committee”	the Sustainability Committee of the Company
“Chairman of the Committee”	the chairman of the Committee
“Secretary of the Committee”	the secretary of the Committee
“Company”	China Lilang Limited
“ESG”	Environmental, Social and Governance
“ESG Report”	the Environmental, Social and Governance report published by the Company from time to time
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

LANGUAGE

The English version shall always prevail in the event of any inconsistency between the English version and its Chinese translation.