

These Terms are prepared in English. In the event that there is any discrepancy or inconsistency between the English version and the Chinese version, the English version shall prevail.



Hang Chi Holdings Limited

恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

AUDIT COMMITTEE TERMS OF REFERENCE

1. Constitution and objective

The board of directors (the “**Board**”) of Hang Chi Holdings Limited (the “**Company**”, together with subsidiaries, the “**Group**”) resolved to constitute and establish an audit committee (the “**Audit Committee**”) on 21 June 2017. The Audit Committee is a sub-committee of the Board of the Company to which the Board has granted authority and delegated consideration of the matters set out below, in particular:

- 1.1 serving as a focal point for communication between other Board members, the internal auditor and external auditor regarding their duties in relation to financial reporting;
- 1.2 reviewing the effectiveness of internal audit and the external audit process;
- 1.3 reviewing the integrity of the Company’s financial statements, formal announcements and disclosures relating to financial performance;
- 1.4 overseeing the Company’s financial reporting system, risk management and internal control systems;
- 1.5 taking an active interest and be proactive in understanding the affairs of the Company and conducting investigation where there are red flags; and
- 1.6 performing corporate governance duties delegated by the Board from time to time.

2. Membership

- 2.1 Members of the Audit Committee (the “**Members**”) shall be appointed by the Board and shall be confined to non-executive directors only.

- 2.2 The Audit Committee shall comprise a minimum of three Members. The majority of the Members shall be independent non-executive directors and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).
- 2.3 The chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive director.
- 2.4 The chairman of the Audit Committee or in his absence, another Member or failing this, his duly appointed delegate, shall attend and be available to answer shareholders’ questions at the annual general meeting of the Company on the Audit Committee’s activities.
- 2.5 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of two 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.
- 2.6 The company secretary of the Company or any other person with appropriate qualification and experience as appointed by the Audit Committee from time to time shall be the secretary of the Audit Committee.

3. Meetings

- 3.1 The Audit Committee shall meet at least four times per year at appropriate times in the reporting and audit cycle and otherwise as required. External auditor of the Company will be invited to attend meetings on a regular basis but in any event not less than twice a year.
- 3.2 Meetings of the Audit Committee can be convened at the request of the chairman or Members of the Audit Committee, the external auditor or internal auditor.
- 3.3 Unless waived by all Members on notice, the secretary of the Audit Committee shall give seven days prior notice to all Members for any meeting to be convened and circulate the meeting agenda to the Members.
- 3.4 The quorum for a meeting shall be two Members, all of whom shall be independent non-executive directors.
- 3.5 Meetings shall be held in person or by means of a conference telephone, electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously.

- 3.6 Resolutions of the Audit Committee at any meeting shall be passed by a majority of votes of the Members present. In the event of a deadlock, the chairman of the Audit Committee shall have the casting vote.
- 3.7 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
- 3.8 Full minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee. Draft and final versions of minutes shall be sent to all Members for their comment and records, within a reasonable time after the meeting.
- 3.9 At the invitation of the Audit Committee, other directors of the Company, external advisers and other persons may attend all or part of any meeting. However, only the Members are entitled to vote at the meetings.

4. Authority

4.1 The Audit Committee shall

- (a) have the right to require the Company's management and employees to furnish sufficient information, record or reports on any matter relating to the Company, its subsidiaries or affiliates, as may be required for the purpose of discharging its duties within this terms of reference;
- (b) give due and careful consideration to all applicable laws, rules and regulations, investigate any activity within this terms of reference;
- (c) shall have access to independent legal or other professional advice, at the Company's expense, if necessary;
- (d) undertake regular and thorough review to ensure that the Company is in compliance with the GEM Listing Rules and the legal requirements in relation to financial reporting;
- (e) have the right to call any employee of the Group to be questioned at a meeting of the Audit Committee as and when required;
- (f) review its own performance, constitution and this terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval; and
- (g) produce an annual report on its activities.

4.2 The Audit Committee shall have access to sufficient resources and training to perform its duties and carry out its role and functions in accordance with this terms of reference.

5. Responsibility and Duty

The main responsibilities and duties of the Audit Committee should include:

Relationship with the Company's auditor

- 5.1 to act as the key representative body for overseeing the Company's relations with the external auditor;
- 5.2 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;
- 5.3 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.4 to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" shall include 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 Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 5.5 to review and monitor the independence of the external auditor by:
 - (a) considering all relationships between the Company and the audit firm (including non-audit services);
 - (b) obtaining from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners; and
 - (c) meeting with the auditor, at least annually, in the absence of management, to discuss matters relating to its audit fees, any issues arising from the audit and any other matters the auditor may wish to raise.

Review of the Company's financial information

5.6 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports, formal announcements and disclosures relating to financial performance, and to review significant financial reporting judgements contained therein. The Audit Committee shall focus, and where necessary, challenge, particularly on:

- (a) the consistency of, and any changes in accounting policies and practices;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting and auditing standards and made appropriate estimates and judgments, having due and careful consideration of the views of the external auditor;
- (d) the clarity of disclosure in the Company's financial reports; and
- (e) any significant financial reporting issues and judgments and all material information presented with the financial statements, such as significant adjustments resulting from the audit, and the going concern assumption and any qualifications.

5.7 Regarding paragraph 5.6 above:

- (a) Members shall liaise with the Board, senior management and, where appropriate, staff responsible for the accounting and financial reporting function of the Company and the Audit Committee shall meet, at least twice a year, with the Company's auditor; and
- (b) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and account, it shall 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.

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

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

- 5.9 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an 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 reporting function;
- 5.10 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- 5.11 where an internal audit function exists, to ensure co-ordination 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;
- 5.12 to review the group's financial and accounting policies and practices;
- 5.13 to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;
- 5.14 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.15 to report to the Board on the matters in D.3.3 of the Corporate Governance Code, Appendix 15 to the GEM Listing Rules;
- 5.16 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 Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- 5.17 to consider other topics, as defined and designated by the Board.

Performing corporate governance duties delegated by the Board

- 5.18 to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- 5.19 to review and monitor the training and continuous professional development of directors and senior management;
- 5.20 to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- 5.21 to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the directors and employees of the Group;
- 5.22 to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- 5.23 to review and approve the Company's assessment of the corruption risks to which the Group is subject and the framework of controls put in place to mitigate those risks, including but not limited to the Group's policies on anti-bribery and anti-corruption, and risk management;
- 5.24 to monitor and oversee compliance with, and conduct review on, the Group's anti- corruption policy on a regular basis, and report to the Board with such recommendations as the Audit Committee may deem appropriate in relation to anti-bribery and anti-corruption;
- 5.25 to be responsible for the day-to-day implementation, supervision, monitoring, enforcement and review and amendment of the Group's whistleblowing policy and systems for its employees and third parties who deal with the Group to raise concerns, in confidence, regarding actual, suspected or potential improprieties in financial reporting, internal control or other matters related to the Company. The Audit Committee shall ensure that proper arrangements are in place for fair, independent and impartial investigation of these matters and for appropriate and necessary follow-up action; and
- 5.26 to perform other corporate governance duties as delegated by the Board from time to time.

6. Reporting

- 6.1 The Audit Committee shall report to the Board formally on a regular basis. At the next meeting of the Board following a meeting of the Audit Committee, the chairman of the Audit Committee shall report to the Board on its findings and recommendations within its remit, and any suspected frauds and irregularities, failures of internal control or suspected infringements of any applicable laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board. The Audit Committee should present a report to the Board which addresses the work and findings of the Audit Committee during the year.
- 6.2 Where there is disagreement between the Audit Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the said disagreement. Where any such disagreement cannot be resolved, the Audit Committee has the right to report on the issue to the shareholders as part of the report on its activities.

Revised and adopted by the Board on 21 March 2022.