



Crypto Flow

Crypto Flow Technology Limited

加幂科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

(the “Company”)

TERMS OF REFERENCE OF AUDIT COMMITTEE

**Revised by the board (the “Board”) of directors (the “Directors”) of the Company
on 27 March 2024**

1. Membership

- 1.1 Members of the Audit Committee (the “**Committee**”) shall be appointed by the Board from amongst the non-executive directors of the Company.
- 1.2 The Committee shall consist of not less than three members of the Board (the “**Committee Members**”), at least one of whom is an independent non-executive director (“**INED**”) with appropriate professional qualifications or accounting or related financial management expertise.
- 1.3 The majority of the Committee Members shall be INEDs.
- 1.4 The Chairman of the Committee shall be appointed by the Board and should be an INED.
- 1.5 There shall be no definitive term of service set for the Committee and its members.
- 1.6 A former partner of the Company’s existing auditing firm should be prohibited from acting as a Committee Member for a period of 2 years from the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.

2. Secretary

- 2.1 The company secretary shall also be the secretary of the Committee.
- 2.2 The secretary shall keep proper minutes of the meetings of the Committee and co-ordinate with the activities of the Board and other committee(s) of the Board.
- 2.3 Minutes signed by all the Committee Members shall be valid as if a meeting has been properly convened and held.

3. Quorum at Meetings

- 3.1 The quorum necessary for the transaction of business at a meeting of the Committee shall be two (2).
- 3.2 Proxy is not allowed at meetings of the Committee.

4. Meetings

- 4.1 The Committee regulates the frequency of its meetings as it thinks fit.
- 4.2 Meetings shall be held not less than twice a year. A member of the Committee or the Company's external auditor may request a meeting if they consider that one is necessary.
- 4.3 Committee meetings shall be summoned by the Secretary of the Committee, or at the request of any of the members.
- 4.4 Committee Members may participate in any meeting of the Committee by means of a conference or other electronic equipment as long as all participants in the meeting can communicate simultaneously with each other.
- 4.5 The Chief Financial Officer, and Chief Executive Officer of the Company, if he is not already a Committee Member, may be invited to sit in such meetings to give relevant opinion and background information as the Committee thinks fit.
- 4.6 At least seven (7) clear days' notice is required for meetings, unless all members of the Committee agree to shorter notice.
- 4.7 The Chairman of the Committee shall chair the meetings of the Committee, and should he be absent from a meeting, the other non-executive director shall be the chairman of that meeting.
- 4.8 Questions arising at any Committee meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

5. Annual General Meeting

The chairman of the Committee or in his absence, another Committee Member or failing this, his duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to shareholder's questions at the annual general meeting on the Committee's activities and their responsibilities.

6. Authority

- 6.1 The Committee is authorised by the Board to deal with matters within the terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 6.2 The Committee is provided by the Board with sufficient resources to perform its duties including authorisation to obtain legal or other independent professional advices from outsiders at the Company's expenses and to secure the attendance of these outsiders if it considers necessary.
- 6.3 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Committee should issue a statement explaining its recommendation and also the reason(s) why the Board has taken a different view to be included in the Corporate Governance Report in the Company's Annual Report.
- 6.4 The Committee is to be provided with sufficient resources to discharge its duties.

7. Duties

The duties of the Committee shall be:

(A) Relationship with the Company's external auditor

- (a) 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 the terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) 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; and
- (c) 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.

(B) Review of the Company's financial information

- (a) to monitor integrity of the Company's financial statements and the annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:-
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
- (b) Regarding (B) (a) above:-
 - (i) Committee Members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, 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 auditors.

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

- (a) to review the Company's financial controls, risk management and internal control systems;
- (b) 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 reporting function;
- (c) 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;

- (d) 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;
- (e) to review the Group's financial and accounting policies and practices;
- (f) to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (h) to report to the Board on the matters in the code provision in relation to audit committee contained in part 2 of appendix C1 to the GEM Listing Rules;
- (i) to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (j) the Committee shall report to the Board any suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations as well as GEM Listing Rules which come to its attention;
- (k) to act as the key representative body for overseeing the Company's relations with the external auditor; and
- (l) to consider other topics, as defined by the Board.

8. Reporting Responsibilities

- 8.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.2 The Committee shall make recommendations to the Board from time to time as it deems appropriate in any area within its terms of work scope for improvements.
- 8.3 The Secretary of the Committee shall circulate minutes of the Committee to all members of the Board.

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