

# **Xuan Wu Cloud Technology Holdings Limited**

## **玄武云科技控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2392)**

### **AUDIT COMMITTEE TERMS OF REFERENCE**

#### **Constitution**

1. The board (the “**Board**”) of directors (collectively, the “**Directors**” and individually, a “**Director**”) of Xuan Wu Cloud Technology Holdings Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) has established an Audit Committee (the “**Committee**”) with authority, responsibility, and specific duties as described below.

#### **Members**

2. The Committee shall comprise not less than three Directors, all of whom shall be non-executive Directors and the majority of whom shall be Independent Non-executive Directors. At least one of the Committee members shall be an Independent Non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules.
3. A former partner of the Company’s auditing firm should be prohibited from acting as a member of the Committee for a period of two years from the date of his ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later.
4. The chairperson of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director.
5. The secretary of the Committee shall be the Company’s company secretary or any person designated as such by the Committee from time to time.

#### **Proceedings**

6. The quorum for meetings of the Committee shall be any two of its members.
7. The chairperson of the Committee may convene meetings at his discretion, but in any event meetings of the Committee are to be held not less than two times every year, or at such frequency as required under the Listing Rules or other regulatory requirements applicable to the Company from time to time. In addition, the Company’s external auditors may request a meeting of the Committee if they consider that is necessary.

8. The Chief Financial Officer of the Company, and a representative of the Company's external auditors shall normally attend meetings of the Committee. However, at least once a year the Committee shall meet with the external and internal auditors without executive Directors present.
9. The meetings and proceedings are governed by the provisions of the Articles of Association of the Company for regulating the meetings and proceedings of the Board so far as the same are applicable.

### **Annual general meetings**

10. The chairperson of the Committee (or in his/her absence, his/her duly appointed delegate) shall attend the Company's annual general meetings and be prepared to respond to any Shareholders' questions on the Committee's activities.

### **Authority**

11. The Committee is authorised by the Board to investigate into any activity within its 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.
12. The Committee shall be provided with sufficient resources to perform its duties and is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense and to secure the attendance of any person with relevant experience and expertise at Committee meeting as it considers appropriate.

### **Responsibility**

13. The Committee was established to assist the Board to provide an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Group, to oversee audit process, to oversee the environmental, social and governance ("ESG") matters and to perform other duties and responsibilities as assigned by the Board.

### **Duties**

14. The duties of the Committee include:

#### *Relationship with the Company's auditors*

- 14.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of their resignation or dismissal;

- 14.2 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- 14.3 to develop and implement policy on engaging external auditors 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 and ESG related disclosures*

- 14.4 to monitor integrity of the Company's financial statements and annual reports, ESG Reports, half-year 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:
- (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards;
  - (f) compliance with the Listing Rules and legal requirements in relation to financial reporting; and
  - (g) compliance with the Listing Rules in relation to ESG disclosure requirements;
- 14.5 regarding paragraph 14.4 above:
- (a) members of the Committee should liaise with the Board and the Company's senior management and the Committee must meet, at least twice a year, with the Company's external auditors; and
  - (b) 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;

*Oversight of the Company's financial report, risk management and internal control systems (including ESG risks)*

- 14.6 to review the Company's financial control systems, 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;
- 14.7 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;
- 14.8 to evaluate and determine ESG-related risks and opportunities at least once annually, and ensuring that appropriate and effective ESG risk management and internal control systems are in place;
- 14.9 to review the Group's ESG performance against ESG-related goals and targets;
- 14.10 to report the ESG findings and recommendations to the Board;
- 14.11 to review ESG management approach, strategy, priorities and objectives;
- 14.12 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;
- 14.13 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;
- 14.14 to review the Group's financial, accounting and ESG policies and practices;
- 14.15 to review the external auditors' management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
- 14.16 to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;
- 14.17 to report to the Board on the matters included under the heading "Audit Committee" in Appendix 14 to the Listing Rules;
- 14.18 to provide a statement explaining its recommendations to the Company and also the reason(s) why the Board has taken a different view for inclusion in the corporate governance report issued by the Company in accordance with Appendix 14 of the Listing Rules, in the event the Board disagrees with the Committee on the selection, appointment, resignation or dismissal of the external auditors;

- 14.19 to review arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 14.20 to act as the key representative body for overseeing the Company's relations with the external auditors; and
- 14.21 to consider other matters as referred to the Committee by the Board.

### **Miscellaneous**

15. Minutes of meetings of the Committee shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed and shall be kept by the secretary to the meetings of the Committee and the Company's company secretary and shall be open for inspection at any reasonable time on reasonable notice by any Director. The secretary to any meeting of the Committee shall circulate the minutes of the meeting of the Committee for which he has acted as secretary in draft and final forms to all members of the Committee within a reasonable time after such meeting is held.
16. The Committee shall report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.
17. The Committee shall make available these terms of reference by inclusion on the websites of the Company and The Stock Exchange of Hong Kong Limited in order to explain its role and the authority delegated to it by the Board.