

*In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.*



**BoardWare Intelligence Technology Limited**  
**博維智慧科技有限公司**

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

**(Stock Code: 1204)**

(the “Company”)

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

In compliance with the code provisions of the Corporate Governance Code issued by the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), an Audit Committee needs to be established with the terms of reference (the “**Terms of Reference**”) as set out and adopted herein.

### **1. Constitution**

- 1.1 The board (the “**Board**”) of directors (the “**Directors**”) of the Company has resolved at its meeting held on 20 June 2022 to establish the audit committee of the Board (the “**Committee**”).
- 1.2 Subject to the regulations contained in the Companies Act of the Cayman Islands, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the articles of association of the Company (the “**Articles**”), the procedures of the Committee shall be regulated by the provisions set out in these Terms of Reference.

### **2. Objective**

- 2.1 The main objective of the Committee is to be responsible for the relationship with the Company’s auditors, review of the Company’s financial information and monitoring of the Company’s financial reporting system and internal control procedures. The Committee is accountable to the Board.

### 3. Composition

- 3.1 Members of the Committee (the “**Member(s)**”) shall be appointed by the Board from time to time amongst the Directors and shall consist of not less than three Members, all of whom shall be non-executive Directors and a majority of which must be independent non-executive Directors. The Committee must comprise of at least one independent non-executive Director, who has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules as amended from time to time.
- 3.2 If any Member ceases to be a Director, he/she will cease to be a Member automatically. The vacancy will be filled by appointment of new Member by the Board.
- 3.3 A former partner of the Company’s existing external auditor is prohibited from acting as a Member for a period of two years from the date of his ceasing (whichever is the later):
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm.
- 3.4 The chairman of the Committee (the “**Chairman**”) shall be appointed by the Board and shall be an independent non-executive Director.
- 3.5 The appointment of the Members may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board. For the avoidance of doubts, the Members may be removed from the Committee by the Board at its sole and absolute discretion.
- 3.6 The composition of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.

## 4. Secretary

4.1 Save as otherwise appointed by the Committee, the secretary to the Committee (the “**Committee Secretary**”) shall be the Company Secretary to the Company, and in the absence of the Company Secretary, any such other person as may from time to time be nominated by the Company Secretary, subject to the approval of the Committee, shall act as the Committee Secretary.

## 5. Authority

5.1 The Committee is authorised by the Board to investigate any activity within these Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.

5.2 The Committee is authorised by the Board to inspect all accounts, books and records of the Company.

5.3 The Committee is authorised by the Board to obtain external legal or other independent professional advice at the Company’s expense and to secure the attendance of outsiders with relevant experience and expertise at the Committee meetings if it considers this necessary.

5.4 Where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report to include an explanation of the Committee’s view and the reasons why the Board has taken a different view.

5.5 The Committee shall be provided with sufficient resources to discharge its duties.

## 6. Duties

**6.1 The duties of the Committee shall include the following aspects:**

*Maintain relationship with the Company’s external auditor*

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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;

- (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 shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences, and to ensure co-ordination where more than one audit firm is involved. Procedures to review and monitor the independence of external auditor may include:
- i. considering all relationships between the Company and its subsidiaries (the “**Group**”) and the external auditor (including non-audit services);
  - ii. obtaining from the external auditor annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff; and
  - iii. meeting with the external auditor, at least once annually, in the absence of the management, to discuss matters relating to audit fees, any issues arising from the audit and any other matters the external auditor may wish to raise.
- (c) to develop and implement policy on engaging the external auditor to supply non-audit services. For this purpose, an 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 shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to ensure that the external auditor’s provision of non-audit services does not impair its independence or objectivity. When assessing the external auditor’s independence or objectivity in relation to the provision of non-audit services, the Committee may wish to consider:
- i. whether the skills and experience of the external auditor make it a suitable supplier of non-audit services;
  - ii. whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services;

- iii. the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the external auditor; and
  - iv. criteria for compensation of the individuals performing the audit;
- (e) to review with external auditor and internal auditor, the Group's management, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;

***Review the Company's financial information***

- (f) to monitor the integrity of the Company's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Committee shall focus particularly on:
- i. any changes in accounting policies and practices;
  - ii. major judgmental areas;
  - iii. significant adjustments resulting from the audit;
  - iv. the going concern assumptions and any qualifications;
  - v. compliance with accounting standards; and
  - vi. compliance with the Listing Rules and legal requirements in relation to financial reporting.
- (g) regarding paragraph 7.1(f) above:
- i. Members shall liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the external auditors;
  - ii. the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and shall give due consideration to any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, the compliance officer or the auditors; and

- iii. discussing problems and reservations with the external auditors arising from the interim and final audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);

***Oversee the Company's financial reporting system, risk management and internal control procedures***

- (h) to review the Company's financial controls, risk management and internal control systems;
- (i) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective system. 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;
- (j) 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 those findings;
- (k) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (l) to review the Group's financial and accounting policies and practices;
- (m) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or system of control and management's response;
- (n) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (o) to review the whistle-blowing arrangements of which employees of the Group and other persons who have connections with the Company (e.g. customers and suppliers) may use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters relating to the Company. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- (p) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (q) to report to the Board on the matters set out in the Corporate Governance Code and Corporate Governance Report (Appendix 14 to the Listing Rules);
- (r) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board;
- (s) to conform to any requirement, direction, and regulation that may from time to time be contained in the memorandum and articles of association of the Company or imposed by the Listing Rules or applicable law;
- (t) to consider agreeing with the Board in relation to the Company's policies on hiring employees or former employees of the external auditor and monitoring the application of these policies. The Committee should then be in a position to consider whether there has been or appears to be any impairment of the external auditor's judgment or independence for the audit;
- (u) to review ongoing connected transactions of the Company and ensure compliance with the terms of approval by shareholders of the Company; and
- (v) to consider such other matters as the Board may from time to time determine.

## **7. Meetings of the Committee**

- 7.1 The Committee shall meet at least two times a year or more frequently if circumstances require. The Chairman may convene additional Committee meetings at his/her discretion.
- 7.2 The Committee shall meet with the external auditors at least twice a year and at least one of the said meetings should be held in the absence of the management.
- 7.3 Notice of Meeting
  - (a) Unless otherwise agreed by all Members, a meeting shall be convened by at least seven (7) days' notice. If a Committee meeting is called by a shorter notice, it shall be deemed to have been duly called if it is so agreed by a majority of the Members, and a Committee member who attends such a meeting shall be deemed to agree to the shorter notice.

- (b) Notice of meeting may be given either orally or in writing by way of telephone, facsimile or other electronic means.
- (c) Notice of meeting shall specify the time and place of the Committee meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the Members for the purposes of the meeting. Such agenda and other documents shall be provided to the Members in a timely manner and at least three (3) days (or such other period as agreed by the Members) before the meeting.

7.4 A quorum of the Committee meeting shall be two Members.

7.5 Committee meetings may be held in person, by telephone or by video conference. Members may participate in a meeting by means of a conference telephone or similar communications equipment provided that all persons participating in such meeting is capable of hearing each other.

7.6 The Committee could invite any executive Directors, external advisers or other individuals to attend the meetings but such executive Directors, advisers or individuals are not entitled to vote at the meetings.

7.7 Resolutions of the Committee at any meetings shall be passed by a majority of votes.

7.8 The Chairman (or in his/her absence, a Member designated by the Chairman) shall preside at all meetings of the Committee. The Chairman shall be responsible for leading the Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.

7.9 Except for provided herein, proceedings of the Committee meetings shall be governed by the provisions contained in the Articles.

## **8. Written Resolutions**

8.1 Written resolutions signed by all Members shall be valid and effectual as if they have been passed at the Committee meeting duly convened and held. Any such resolution may be contained in a single document or may consist of several documents all in like form.



## **9. Access**

9.1 The Committee should have full access to management and may invite members of management and others to attend its meetings.

## **10. Reporting Procedures**

10.1 The Committee Secretary shall record in sufficient details the matters considered by the Committee and the decisions reached, including any concerns raised by the Members or dissenting views expressed. Draft and final versions of the minutes of the Committee meetings, or as the case may be, written resolutions of the Committee, shall be circulated to all Members for their comment and records respectively within a reasonable time after the meeting or before the passing of the written resolutions.

10.2 Full minutes of the Committee meetings and all written resolutions of the Committee, together with the record of individual attendance at such Committee meetings, shall be kept by the Committee Secretary. Board and Members are entitled to have access to the minutes and written resolutions of the Committee.

10.3 The Committee shall report their findings and recommendations to the Board after each Committee meeting or the passing of the written resolutions.

## **11. Annual General Meeting**

11.1 The Chairman or in his/her absence, another Committee member or failing this, the duly appointed delegate of the Chairman, shall attend the Company's annual general meeting to answer shareholders' questions on the Committee activities.

## **12. Powers of the Board**

12.1 The Board may, subject to compliance with the Articles and the Listing Rules, amend, supplement and revoke these Terms of Reference.

12.2 The power to interpret these Terms of Reference shall vest in the Board.

## **13. Update and Publication of these Terms of Reference**

13.1 These Terms of Reference shall be updated and revised as and when necessary in light of changes in circumstances and changes in regulatory requirements (e.g. the Listing Rules) in Hong Kong. These Terms of Reference shall be made available to the public by including the information on the Company's website at [www.boardware.com](http://www.boardware.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).