

Midland Holdings Limited

美聯集團有限公司

(Incorporated in Bermuda with limited liability)

(the “Company” and, together with its subsidiaries, the “Group”)

(Stock Code: 1200)

Terms of Reference for Audit Committee

1. Overall Objectives

The audit committee (the “Committee”) is appointed by the board of directors (the “Directors”) of the Company (the “Board”) to assist the Board in discharging its oversight responsibilities. The Committee will oversee the financial reporting process to ensure the quality, transparency and integrity of published financial information. The Committee will also review the effectiveness of the Company’s financial controls, risk management and internal control systems, the independent audit process including recommending the appointment and assessing the performance of the external auditor, the Company’s process for monitoring compliance with laws and regulations affecting financial reporting.

In performing its duties, the Committee will maintain effective working relationships with the Board, management, and the external auditor. To perform his or her role effectively, each Committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee’s responsibilities and of the Company’s business, operations and risks.

These terms of reference have been prepared in compliance with relevant code provisions of the Corporate Governance Code (the “Code”) under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Authority

The Committee is authorised by the Board, within the scope of its responsibilities, to:

- 2.1 Perform activities within the scope of its terms of reference.
- 2.2 Engage independent counsel and other advisers as it deems necessary to carry out its duties.
- 2.3 Ensure the attendance of company officers at meetings as appropriate.
- 2.4 Have unrestricted access to members of management, employees and relevant information, and sufficient resources inside and outside the Group, at the Company’s expense, as and when it considers necessary in order to perform its duties and responsibilities.

2.5 Be responsible for the appointment, compensation, retention and oversight of the work of the external auditor.

2.6 Review policies for the provision of non-audit services by the external auditor.

3. Organisation

3.1 Membership

3.1.1 The Committee members and the chairman of the Committee shall be appointed by the Board. The chairman of the Committee shall be an Independent Non-executive Director (“INED”).

3.1.2 The Committee shall comprise Non-executive Directors only and a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. At least three members and the majority of the members of the Committee shall be INEDs.

3.1.3 A quorum of any meeting will be two Committee members and one of whom must be an INED.

3.1.4 The secretary of the Committee shall be the company secretary of the Company.

3.2 Proceedings of Meetings

3.2.1 Only Committee members are entitled to attend meetings. The Committee may invite such other persons (e.g. the chairman of the Risk Committee (or such member(s) of that committee as so appointed by him), Chief Financial Officer and external audit engagement partner) to attend its meeting.

3.2.2 The external auditor may be invited to make presentations to the Committee as appropriate.

3.2.3 Meetings shall be held not less than twice a year and should correspond with the Company’s financial reporting cycle.

3.2.4 Special meetings may be convened as required or whenever the chairman of the Committee deems it necessary.

3.2.5 Notice of any meetings has to be given at least 14 days prior to any such meeting being held, unless all Committee members unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a Committee member shall be deemed waiver of the requisite length of notice by such member. Notice of any adjourned meeting is not required if adjournment is for less than 14 days.

- 3.2.6 Resolutions of the Committee shall be passed by a majority of votes. In case of an equality of votes the chairman of the Committee shall have a second or casting vote.
- 3.2.7 A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 3.2.8 The secretary of the Committee shall circulate the agenda and supporting documentation to the Committee members a reasonable period in advance of or as soon as practicable before each meeting.
- 3.2.9 The secretary of the Committee shall circulate the minutes of meetings to members of the Committee. Minutes shall be kept by the secretary and shall be open for Directors' inspection.
- 3.2.10 The Committee will meet with the external auditor at least twice a year.

3.3 Annual General Meeting

The chairman of the Committee or in his/her absence, another member (who must be an INED) of the Committee, shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.

4. Roles and Responsibilities

4.1 Oversight of Financial Reporting System, Risk Management and Internal Control Systems

- 4.1.1 Review the Company's financial controls and internal control systems, and evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk.
- 4.1.2 Understand the risk management and internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.
- 4.1.3 Understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems comply with the relevant standards and requirements, and are subject to appropriate management review.
- 4.1.4 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.
- 4.1.5 Review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control

and management's response and ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

- 4.1.6 Ensure co-ordination between the internal and external auditors where an internal audit function exists, 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.
- 4.1.7 Review the Group's financial and accounting policies and practices.
- 4.1.8 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.
- 4.1.9 Report to the Board on the matters mentioned herein which incorporated the code provisions of paragraph D.3 of the Code.
- 4.1.10 Consider other topics, as defined by the Board.
- 4.1.11 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 should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- 4.1.12 Act as the key representative body for overseeing the Company's relations with the external auditor.

4.2 Financial Reporting

- 4.2.1 Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- 4.2.2 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- 4.2.3 Review and monitor integrity of the Company's financial statements and annual report and accounts, half-year report 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 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 Listing Rules and legal requirements in relation to financial reporting.
- 4.2.4 Regarding 4.2.3 above, members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditor.
- 4.2.5 Regarding 4.2.3 above, 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.

4.3 Compliance with Laws and Regulations

- 4.3.1 Review the effectiveness of the system for monitoring compliance with laws and regulations.
- 4.3.2 Obtain regulatory updates from management regarding compliance matters that may have a material impact on the Company's financial statements or compliance policies.
- 4.3.3 Be satisfied that all regulatory compliance matters related to the business of the Company have been considered in the preparation of the financial statements.

4.4 Working with External Auditor

- 4.4.1 Review the professional qualification of the auditor.
- 4.4.2 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.
- 4.4.3 Review and monitor on an annual basis the performance of the external auditor, particularly the effectiveness of the audit process in accordance with applicable standards and 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.

- 4.4.4 Review the external auditor's proposed audit scope and approach for the current year in light of the Company's present circumstances and changes in regulatory and other requirements.
- 4.4.5 Discuss with the external auditor the appropriateness of the accounting policies applied in the Company's financial reports and whether they are considered as aggressive, balanced or conservative.
- 4.4.6 Meet separately with the external auditor to discuss any matters that the Committee or auditor believe should be discussed privately; ensure the auditor have access to the chairman of the Committee when required.
- 4.4.7 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.

4.5 Reporting

- 4.5.1 The Committee shall report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- 4.5.2 The Committee shall prepare any reports as required by the applicable laws and regulations, the Listing Rules or as requested by the Board, including a report on the Committee's activities and duties to be disclosed in the corporate governance report which shall form part of the Company's annual report.

Revised on 28 December 2022

Note: In case of any discrepancy or inconsistency between the English version and the Chinese translation of this document, the English version shall prevail.