



TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(effective on 29 December 2022)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE
(the Committee)

1 Constitution

1.1 The Committee was formed pursuant to the Board resolution of the Company passed on 22 September 2004.

2 Membership

2.1 The Committee shall be appointed by the Board from amongst the Non-Executive Directors of the Company and shall consist of not less than three members, a majority of whom shall be Independent Non-Executive Director.

2.2 At least one of the members of the Committee shall be an Independent Non-Executive Director with appropriate professional qualifications or accounting or related financial management expertise as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (Listing Rules).

2.3 A former partner of the Company's existing auditing firm from time to time not act as a member of the Committee for a period of two years commencing on the date of person ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm whichever is the later.

2.4 The Chairman of the Committee shall be appointed by the Board and should be an Independent Non-Executive Director.

3 Quorum

3.1 A quorum shall be two members of the Committee. Any members of the Committee or other attendees may participate in a meeting of the Committee by attending in person or by means of a telephone conference or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other. Each member will have one vote and the resolutions are stated on the meeting must be approved by a majority of all members who attend and vote at the meeting.

4 Attendance at meetings

4.1 Attendees shall normally include Committee's members, the Financial Controller, the Head of Internal Audit (where an internal audit function exists), a representative of the external auditors and those with meaningful input to the Committee's activities.

4.2 At least once a year the Committee shall meet with the external and internal auditors (if any) with or without executive Board members present.

5 Secretary

5.1 The company secretary shall be the secretary of the Committee. The secretary of the Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Committee.

6 Frequency and proceeding of meetings

6.1 Meetings shall be held not less than twice a year.

6.2 The external auditors may request a meeting if they consider that one is necessary.

6.3 The Committee may hold separate private meeting(s) with the internal auditor and /or the external auditors, without the presence of the executive directors or senior management of the Company whenever they think fit and appropriate.

6.4 Meetings of the committee shall be called by its chairman or at the request of the Board.

6.5 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Committee, the Chairman and Managing Director of the Company, the financial officer of the Company and any other person required to attend, no fewer than Three working days prior to the date of the meeting.

7 Authority

7.1 The Committee is authorised by the Board to investigate 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.

7.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

7.3 The Committee is authorised to require management of the Company to provide it with such resources as may be necessary for it to discharge its duties as set out in these terms.

7.4 The Committee is authorised to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

8 Responsibility

8.1 The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor (where an internal audit function exists) of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time.

8.2 The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company and its subsidiaries (the Group), overseeing the audit process, reviewing the completeness, accuracy, clarity and fairness of the Company's financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected

transactions and performing other duties and responsibilities as may be assigned by the Board from time to time.

9 Duties and Functions

The Committee shall have the following duties and functions:

- 9.1 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;
- 9.2 To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;
- 9.3 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 9.4 To 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:
 - 9.11. any changes in accounting policies and practices;
 - 9.12. major judgmental areas;
 - 9.13. significant adjustments resulting from audit;
 - 9.14. the going concern assumptions and any qualifications;
 - 9.15. compliance with accounting standards; and
 - 9.16. compliance with the Listing Rules and legal requirements in relation to financial reporting;
- 9.5 Regarding 9.4 above:
 - 9.5.1. 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 auditors; and
 - 9.5.2. the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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;
- 9.6 To review the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal controls systems;

- 9.7 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;
- 9.8 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;
- 9.9 To discuss with the external auditors problems and reservations arising from the interim review and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- 9.10 To review the external auditor's management letter and any material queries raised by the auditor to management about the accounting records, financial accounts or systems of risk management and internal controls and management's response;
- 9.11 To review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- 9.12 Where an internal audit function exists to review the internal audit programme, 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;
- 9.13 To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 9.14 To review annually the external auditor's fees which have been negotiated with management of the Company;
- 9.15 To evaluate the cooperation received by the external auditors, including their access to all requested records, data and information; obtain the comments of management of the Company regarding the responsiveness of the external auditors to the Group's needs; inquire of the external auditors as to whether there have been any disagreements with management of the Company which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- 9.16 To seek from the external auditors, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- 9.17 To report to the Board on the matters in these terms of reference of the Committee;
- 9.18 To review the group's financial and accounting policies and practices;
- 9.19 To review arrangements by 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;

- 9.20 To act as the key representative body for overseeing the Company's relations with the external auditor;
- 9.21 To recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee; and
- 9.22 To consider other topics as defined by the Board.

10 Annual Review

- 10.1 The directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The Review should cover all material controls, including financial, operational and compliance controls and risk management functions.
- 10.2 The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.

11 Reporting procedures

- 11.1 The Committee should report to the Board on a regular basis on its decisions or recommendations and on the matters set out in these terms of reference, unless there are legal or regulatory restrictions on its ability to do so.
- 11.2 Full minutes of the meetings of the Committee should be kept by the secretary of the Company, which should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Committee members or dissenting views and expressed. Draft and final versions of minutes of the committee meetings should be sent to all members of the Committee for their comment and records respectively within a reasonable time after the meeting.
- 11.3 The secretary or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

12 Interpretation

Interpretation of this terms of reference shall belong to the Board.