

TAYANG 大洋
TA YANG GROUP HOLDINGS LIMITED
大洋集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(the “**Company**”)
(**Stock Code: 1991**)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

Adopted on 16 May 2007
(Revised on 21 January 2009)
(Further revised on 27 March 2012)
(Further revised on 30 March 2016)
(Further revised on 28 March 2019)
(Further revised on 28 April 2023)

TA YANG GROUP HOLDINGS LIMITED
大洋集團控股有限公司
(incorporated in the Cayman Islands with limited liability)
(the “**Company**”)

**Regulations (“Regulations”) relating to the audit committee (the “Audit Committee”)
of the board of directors (the “Board”) of the Company**

A. CONSTITUTION

Pursuant to the resolution passed on 16 May 2007 by the Board, the Audit Committee was established as a committee of the Board.

B. AUDIT COMMITTEE

1. Membership

- 1.1 Members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors of the Company (including independent non-executive directors) only and shall consist of not less than three (3) members, at least one of whom is an independent non-executive director with appropriate qualifications of accounting or related financial management expertise as required in Rule 3.10(2) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The majority of the Audit Committee members shall be independent non-executive directors of the Company.
- 1.2 The chairman of the Audit Committee shall be an independent non-executive director therein appointed by the Board from time to time.
- 1.3 The company secretary of the Company shall be the secretary of the Audit Committee. In the absence of the secretary of the Audit Committee, Audit Committee members present at the meeting shall elect among themselves or appoint another person as the secretary for that meeting.
- 1.4 The appointment of the members of the Audit Committee may be revoked, replace or additional members may be appointed to the Audit Committee by separate resolutions passed by the Board. An appointment of Audit Committee member shall be automatically revoked if such member ceases to be a member of the Board.

1.5 A former partner of the Company's existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of two years from the date of the person ceasing:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm, whichever is later.

2. Proceedings of the Audit Committee

2.1 Notice

2.1.1 Unless otherwise agreed by all the Audit Committee members, a meeting of the Audit Committee shall be called by at least seven (7) days' notice. Such notice shall be sent to each member of the Audit Committee, and to any other person invited to attend. Irrespective of the length of notice being given, attendance of an Audit Committee member at a meeting constitutes a waiver of such notice unless the Audit Committee member attending the meeting attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the meeting has not been properly convened.

2.1.2 A member of the Audit Committee may and, on the request of a member of the Audit Committee, the secretary to the Audit Committee shall, at any time summon a meeting of the Audit Committee. Notice shall be given to each member of the Audit Committee orally in person or in writing or by telephone or by telex or telegram or facsimile transmission at the telephone number or facsimile number or address from time to time notified to the secretary by such member of the Audit Committee or in such other means as the members may from time to time determine. Any notice given orally shall be confirmed in writing.

2.1.3 Notice of meeting shall state the time and place of the meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the members of the Audit Committee for the purposes of the meeting should generally be delivered to all Audit Committee members seven days (and in any event not less than three days) before the intended date of the Audit Committee meeting (or such other period as all the Audit Committee members may agree).

2.2 Quorum

The quorum of the Audit Committee meeting shall be two members of the Audit Committee and a majority of which shall be the independent non-executive directors.

2.3 Attendance of meetings by non-members

The finance director, the head of internal audit of the Company (or any officer(s) assuming the relevant functions but having a different designation) and a representative of the external auditors of the Company shall normally attend meetings of the Audit Committee. The executive directors shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the external auditors of the Company in the absence of the executive directors of the Company.

2.4 Frequency of meetings

Meetings shall be held at least twice annually or more frequently if circumstances require. The external auditors may request the Chairman of the Audit Committee to convene a meeting, if they consider that one is necessary.

2.5 Voting

Resolutions of the Audit Committee at any meeting shall be passed by a majority of votes of the members of the Audit Committee present.

2.6 Others

Meetings could be held in person, by telephone or by video conference. Members of the Audit Committee may participate in a meeting by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

3. Written resolutions

Resolutions in writing signed by all members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee and may consist of several documents in like form each signed by one or more of the Audit Committee members.

4. Alternate members

A member of the Audit Committee may not appoint any alternate.

5. Authority

The Audit Committee is authorised to evaluate and supervise the financial reporting process and internal control systems of the Company and its subsidiaries (together as, the “**Group**”). In exercising such authorities, the Audit Committee shall have the power:

- (a) to seek any information it requires from any employee of the Group and any professional advisers (including auditors), to require any of them to prepare and submit reports and to attend meetings of the Audit Committee and to supply information and answer questions raised by the Audit Committee;
- (b) to monitor whether the Group’s management has, in the performance of its duties, infringed any policies set by the Board or any applicable law, regulation and code (including the Listing Rules and other rules and regulations from time to time prescribed by the Stock Exchange and/or laid down by the Board or a committee thereof);
- (c) to investigate all suspected fraudulent acts involving the Group and its employees and request management to make investigation and submit reports;
- (d) to review the Group’s internal control procedures and system and financial reporting process;
- (e) to review the performance of the Group’s employees in the accounting and internal audit department;
- (f) to make recommendations to the Board for the improvement of the Group’s internal control procedures and system and financial reporting process;
- (g) to request the Board to take all necessary action, including convening a shareholders’ meeting for purposes of revoking the appointment of any Director and to dismiss any employees if the Audit Committee deems there is evidence showing that the relevant Director and/or employee has failed to discharge his duties properly;
- (h) to request the Board to take all necessary actions, including convening an extraordinary general meeting, to replace and dismiss the auditors of the Group;
- (i) to retain outside legal or other independent professional and obtain their advice and to secure the attendance of independent third parties with relevant experience and expertise, if it considers this necessary; and
- (j) to provide with sufficient resources to perform its duties.

6. Duties

The duties of the Audit Committee shall include, without limitation:

Relationship with external auditors

- (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 terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (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 Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (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 Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Company

- (d) to monitor integrity of financial statements of the Company and the Company's 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 Audit 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 other legal requirements in relation to financial reporting;

- (e) In regard to (d) above:
 - (i) members of the Audit Committee should liaise with the Board, senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Audit 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 reporting system, risk management and internal control procedures

- (f) to review the Company's financial controls and unless expressly addressed by a separate board risk committee, or by the Board itself, and internal control and risk management systems, such risks would include, amongst others, material risks relating to Environmental, Social and Governance (“**ESG**”);
- (g) to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective system with particular focus on the risk management over financial reporting system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function as well as those related to the Company's ESG performance and reporting;
- (h) to consider major investigation findings on risk management and internal control matters, with particular focus on the risk management over financial reporting system, as delegated by the board or on its own initiative and management's response to these findings;
- (i) 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;
- (j) to review the Group's financial and accounting policies and practices;
- (k) to 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;

- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with the Committee (or any designated committee comprising a majority of independent non-executive Directors) about possible improprieties in any matter related to the Company;
- (n) to review arrangements employees and those who deal with the Company (e.g. customers and suppliers) can use, in confidence and anonymity, to raise concern about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow up action;
- (o) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (p) to do any such things to enable the Board to discharge its duties conferred on it by the Board from time to time; and

Others

- (q) to report to the Board on the matters set out in the code provisions as stated in Appendix 14 of the Listing Rules from time to time; and
- (r) to consider and implement other matters, as defined or assigned by the Board from time to time.

7. Veto rights of the Audit Committee

The Audit Committee has the following veto rights. The Group cannot implement any of the following matters which have been vetoed by the Audit Committee:

- (a) to approve any connected transaction within the meaning of the Listing Rules which requires an independent shareholders' vote (unless the approval of such connected transaction is made conditional on the obtaining of the approval of the independent non-executive directors and the independent shareholders); and
- (b) to employ or dismiss the Group's financial controller or the internal audit manager or persons holding similar positions.

8. Reporting procedures

- 8.1 The secretary to the Audit Committee shall circulate final versions minutes of meetings and all written resolutions of the Audit Committee to all members of the Board within a reasonable period of time after each meeting. Draft versions of minutes of meetings shall be circulated to all members for their comment within a reasonable period of time after each meeting. The Audit Committee should report back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such a restriction on disclosure due to regulatory requirements).
- 8.2 The secretary to the Audit Committee shall maintain as part of the Company's corporate records all approved minutes and reports.

9. Annual General Meeting of the Company

The chairman or another member of the Audit Committee shall attend the Company's annual general meetings and be prepared to respond to questions raised by shareholders on the Audit Committee's activities and responsibilities.

10. Continuing applications of the articles of association of the Company and "A Guide for Effective Audit Committee"

- 10.1 The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and not inconsistent with the provisions of these Regulations shall apply, *mutatis mutandis*, to regulate the meetings and proceedings of the Audit Committee.
- 10.2 The provisions of "A Guide for Effective Audit Committee" published by the Hong Kong Society of Accountants (as it was then known) in February 2002 and adopted by the Company on 16 May 2007 shall, to the extent not inconsistent with the provisions of these Regulations, be deemed to be incorporated into these Regulations, *mutatis mutandis*.

11. Powers of the Board

The Board may, subject to compliance with the articles of association of the Company and the Listing Rules, amend, supplement and revoke these terms of reference and any resolution passed by the Audit Committee provided that no amendments or supplements to and revocation of these terms of reference and the resolutions passed by the Audit Committee shall invalidate any prior act and resolution of the Audit Committee which would have been valid if such terms of reference or resolution had not been amended, supplemented or revoked.