



ADICON Holdings Limited

艾迪康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9860)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) of ADICON Holdings Limited. (the “**Company**”) was established pursuant to a resolution passed by the board of directors of the Company (the “**Board**”) on June 3, 2023. Set out below are the terms of reference (the “**Terms of Reference**”) of the Audit Committee. The Terms of Reference are available for viewing in English and traditional Chinese. If there is any inconsistency between the English and the traditional Chinese versions of the Terms of Reference, the English version shall prevail over the traditional Chinese version.

Purpose

1. The purpose of the Audit Committee is to assist the Board in establishing formal and transparent arrangements to consider how the Board should apply financial reporting and internal control principles and for maintaining an appropriate relationship with the Company’s auditors.

Composition

2. The Audit Committee shall comprise a minimum of three members (the “**Members**”, and each as a “**Member**”) consisting of non-executive directors of the Company only and a majority of which must be independent non-executive directors of the Company. The Audit Committee must comprise of at least one independent non-executive director of the Company who has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (as amended from time to time). The Members shall be appointed by the Board.
3. A former partner of the existing auditing firm of the Company is prohibited from acting as a Member for a period of two years from the date of his or her ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.
4. The chairperson of the Audit Committee (the “**Chairperson**”) shall be appointed by the Board and must be an independent non-executive director of the Company.
5. The company secretary or any of the joint company secretaries of the Company shall be the secretary of the Audit Committee (the “**Secretary**”).

Meetings

6. Unless otherwise specified hereunder, the provisions contained in the Company’s articles of association (the “**Articles**”) (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.

7. The Audit Committee shall meet at least twice annually. The Board, any Member and the external auditors may request a meeting if they consider that one is necessary.
8. Notice of any meetings has to be given at least seven days prior to any such meeting being held, unless all Members unanimously waive such notice. If a 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. A Member who attends such a meeting shall deem to agree to the shorter notice. Notice of any adjourned meetings is not required if the adjournment is less than seven days.
9. A meeting of the Audit Committee may be convened by any Member.
10. A quorum of the Audit Committee shall be two Members.
11. Members may participate in a meeting either in person or through other electronic means of communication or in such other manner as the Members may agree provided that all persons participating in the meeting are capable of hearing each other.
12. Members may be represented at a meeting of the Audit Committee by a proxy appointed by him or her or his or her alternate.
13. Resolutions of the Audit Committee at any meetings shall be passed by a majority of votes of the Members present. In case of an equality of votes, the Chairperson shall have a second or casting vote.
14. A resolution in writing signed by all Members shall be valid and effectual as if it has been passed at a meeting of the Audit Committee duly convened and held.

Attendance

15. The Chairperson (or in his or her absence, a Member designated by the Chairperson) shall preside at all meetings of the Audit Committee. The Chairperson shall be responsible for leading the Audit Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.
16. The agenda and accompanying supporting papers shall be sent to all Members and to other attendees as appropriate at least one day before the date of the meeting (or such other period as the Members may agree).
17. The financial director of the Company, the head of internal auditor and a representative of the external auditors shall normally attend meetings of the Audit Committee. Other Board members shall also have the right of attendance. However, at least twice a year the Audit Committee shall meet with the external and internal auditors without executive directors present.
18. For the purpose of recording attendance only, the attendance of an alternate Members or directors of the Company will not be counted as attendance by the relevant Member himself or herself.

Access

19. The Audit Committee shall have full access to management and may invite members of management or others to attend its meetings.
20. The Audit Committee shall be provided with sufficient resources to discharge its duty.

Reporting Procedures

21. The Audit Committee shall evaluate and assess the effectiveness of the Audit Committee and the adequacy of these Terms of Reference on an annual basis and recommend any proposed changes to the Board.
22. Full minutes of meetings of the Audit Committee (draft and final versions) and the record of individual attendance at such meetings shall be prepared and kept by the Secretary. Draft and final versions of the minutes of the meetings should be sent to all Members for their comment and records within a reasonable time after the meeting.
23. Minutes of meetings of the Audit Committee shall be sent to all members of the Board as soon as practicable after the conclusion of any meeting of the Audit Committee.
24. The Audit Committee shall report back to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).

Authority

25. The authorities and responsibilities of the Audit Committee shall include such authorities and responsibilities set out in the relevant code provisions of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 to the Listing Rules (as amended from time to time).
26. The Audit Committee is authorized by the Board to investigate any activity within these Terms of Reference. It is authorized to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Audit Committee.
27. The Audit Committee is authorized by the Board to inspect all accounts, books and records of the Company.
28. The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings of the Audit Committee if it considers this necessary.
29. Where the Board disagrees with the Audit Committee’s view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the corporate governance report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

Responsibilities and Duties

30. The duties of the Audit Committee shall include such responsibilities set out in the relevant code provisions of the CG Code, including the following aspects:

Relationship with the Company's 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 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 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 policies on engaging an 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 Audit 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

- (d) to monitor the integrity of the Company's financial statements and 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 Audit 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;

- (e) regarding paragraph (d) above: (i) Members shall liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the Company's auditors; and (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and 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 systems

- (f) 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 control systems;
- (g) 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 shall include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;
- (h) 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;
- (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 financial and accounting policies and practices of the Company and its subsidiaries;
- (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 report to the Board on the matters set out in the CG Code;
- (n) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for 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 relation with the external auditor;
- (p) to review ongoing connected transactions of the Company and ensure compliance with terms of approval by shareholders of the Company; and
- (q) to consider such other matters as the Board may from time to time determine.

Others

31. The Chairperson or in his or her absence, another member of the Audit Committee or failing this, his or her duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to respond to questions at the annual general meeting on the Audit Committee's activities and their responsibilities.
32. Company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.
33. The Terms of Reference will be posted on the websites of the Company and The Stock Exchange of Hong Kong Limited, and will be made available upon request.