

# **TRISTATE HOLDINGS LIMITED**

**Terms of reference of Audit Committee**  
**- adopted by the Board of Directors on 26 January 2005**  
**and amended on 9 January 2009, 26 March 2012, 4 December 2015,**  
**25 March 2019 and 25 March 2024**

**A. Constitution**

- A.1 The Audit Committee was set up by the Board on 1 September 1998 pursuant to bye-law 102 of the Bye-Laws.
- A.2 These terms of reference with the authority and duties of the Audit Committee have been approved by the Board on 26 January 2005 and amended on 9 January 2009, 26 March 2012, 4 December 2015, 25 March 2019 and 25 March 2024. The Board has the authority to review and amend these terms of reference from time to time.

**B. Membership**

- B.1 Members of the Audit Committee shall be appointed by the Board. The Audit Committee shall comprise non-executive Directors only and shall consist of a minimum of three Members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. The majority of the Members must be independent non-executive Directors.
- B.2 The chairman of the Audit Committee shall be appointed by the Board and shall be an independent non-executive Director.
- B.3 A former partner of the Company's existing auditing firm should be prohibited from acting as a Member for a period of 2 years (or any other period as required by the Listing Rules from time to time) 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.

**C. Audit Committee meetings**

- C.1 Unless otherwise stipulated herein, the meetings and proceedings of the Audit Committee shall be governed by the provisions contained in the Bye-Laws for regulating the meetings and proceedings of Directors. Unless otherwise determined by the Board, the quorum for a meeting of the Audit Committee shall be two Members.
- C.2 The Audit Committee should meet regularly at least twice a year and roughly on a half-yearly basis. It is expected regular Audit Committee meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of Members entitled to be present.
- C.3 Arrangements should be in place to ensure that all Members are given an opportunity to include matters in the agenda for regular Audit Committee meetings.

- C.4 The external auditor may request a meeting if they consider it is necessary.
- C.5 Staff responsible for the accounting and financial reporting function, the Head of Internal Audit, and the external auditor (when half-yearly and annual reports and accounts are reviewed) shall normally attend Audit Committee meetings. At least once a year the Audit Committee shall meet with the external auditor and/or internal auditor without the presence of executive Director(s).
- C.6 Notice of at least 14 days should be given for a regular Audit Committee meeting to give all Members an opportunity to attend. For all other Audit Committee meetings, reasonable notice should be given.
- C.7 The Company Secretary or his/her nominee shall be the secretary of the Audit Committee.
- C.8 All Members should have access to the advice and services of the secretary of the Audit Committee to ensure that Audit Committee procedures, and all applicable laws, rules and regulations, are followed.
- C.9 Minutes of meetings and written resolutions of the Audit Committee should be kept by the secretary of the Audit Committee and should be open for inspection at any reasonable time on reasonable notice by any Member or Director. Draft and final versions of minutes should be sent to all Members for their comment and records respectively within a reasonable time after the meeting is held.
- C.10 If a Member has a conflict of interest in a matter to be considered by the Audit Committee which the Audit Committee has determined to be material, the matter should be dealt with by a physical meeting rather than written resolution. The interested Member shall not vote nor shall he be counted in the quorum present at the relevant meeting of the Audit Committee.
- C.11 A resolution in writing signed by all Members for the time being shall be as effective for all purposes as a resolution of the Members passed at a meeting duly convened, held and constituted.

**D. Authority**

- D.1 The Audit 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 Audit Committee.
- D.2 The Audit 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 in Audit Committee meetings if it considers this necessary. The Audit Committee is to be provided with sufficient resources to perform its duties.

- D.3 There should be a procedure agreed by the Audit Committee to enable Members, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. The Audit Committee should resolve to provide separate independent professional advice to Members to assist them to perform their duties to the Company.

**E. Duties**

- E.1 The duties of the Audit Committee should include :

***Relationship with the Company's auditor***

- (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 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;
- (d) To act as the key representative body for overseeing the Company's relationship with the external auditor;

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

- (e) To 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 judgements 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 legal requirements in relation to financial reporting;
- (f) Regarding (e) above:
  - (i) Members should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor;
  - (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 auditor; and
  - (iii) the Audit Committee should discuss problems and reservations arising from the interim review and final audit, and any matters the auditor may wish to discuss (in the absence of management where necessary);

***Oversight of the Company's financial reporting system, risk management and internal control systems***

- (g) To review the Company's financial controls, risk management and internal control systems;
- (h) 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;
- (i) 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;
- (j) To ensure co-ordination between the internal and external auditors, to review the reports and recommendations of the internal audit function, 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;
- (k) To review the Group's financial and accounting policies and practices;
- (l) To review arrangements for employees of the Company to use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- (m) 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;
- (n) To ensure that the Board will provide a timely response to the issues raised in the external auditor’s management letter;
- (o) To report to the Board on the above matters;
- (p) The chairman of the Audit Committee or in his/her absence, another Member or failing this, his/her duly appointed delegate, should attend and be available to answer questions at annual general meetings of the Company;
- (q) To ensure that an external auditor’s provision of non-audit services does not impair its independence or objectivity and follow the non-audit services policy as adopted and amended from time to time by the Audit Committee; and
- (r) To consider other topics, as defined by the Board.

**F. Reporting procedures**

- F.1 The secretary of the Audit Committee shall circulate the minutes and written resolutions of the Audit Committee, reports of the Audit Committee and relevant information to all Directors.
- F.2 The Audit Committee should 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).

*Definitions:*

- “Audit Committee” : audit committee of the Company
- “Board” : the board of directors of the Company
- “Bye-Laws” : the bye-laws of the Company as amended from time to time
- “Company” : Tristate Holdings Limited
- “Company Secretary” : secretary of the Company
- “Director(s)” : director(s) of the Company
- “Group” : the Company and its subsidiaries

“Listing Rules” : the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Member(s)” : member(s) of the Audit Committee