



恒安國際集團有限公司

HENGAN INTERNATIONAL GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)
(Stock Code:1044)

Terms of Reference of Audit Committee

1. Constitution

The board of directors (the “Board”) of Hengan International Group Company Limited (the “Company”) resolved to establish a committee of the Board known as the Audit Committee (the “Committee”) on 19 March 1999.

2. Membership

- 2.1 The Committee member shall be appointed by the board of directors of the Company (the “Board”) from amongst the Non-executive Directors and the Independent Non-executive Directors (the “INEDs”) of the Company and shall consist of not less than three members, a majority of whom should be independent with a minimum number of three INEDs (the “Member”).
- 2.2 The chairman of the Committee, who shall be a member of the Committee, shall be appointed by the Board from amongst the INEDs.
- 2.3 At least one INEDs serving as a member of the Committee must possess appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing of Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as amended from time to time (the “Listing Rules”).
- 2.4 A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Committee for a period of two (2) years from the date of the person ceasing:
 - (i) to be a partner of the firm; or
 - (ii) to have any financial interest in the firm,whichever is later
- 2.5 The Board shall from time to time vary the composition of the Committee as may be required by Listing Rules on the Stock Exchange, or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time.

3. Secretary

The Company Secretary of the Company should be the secretary of the Committee.

4. Authority

4.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

4.2 The Committee is authorised by the Board to obtain external legal or other independent professional advice at the Company's expense and to secure the attendance at meetings of external parties with relevant experience and expertise if it considers necessary.

4.3 The Committee shall be provided with sufficient resources to perform its duties.

5. Duties

The duties of the Committee shall be:

Relationship with the Company's auditors

5.1 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;

5.2 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;

5.3 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed ; and

Review of the Company's financial information

- 5.4 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 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;
- 5.5 Regarding (5.4) above:-
- (i) Members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) 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;

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

- 5.6 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 control systems;
- 5.7 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;
- 5.8 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;

- 5.9 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;
- 5.10 to review the group's financial and accounting policies and practices;
- 5.11 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;
- 5.12 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 5.13 to report to the Board on the in these terms of reference; and
- 5.14 to consider other topics, as defined by the Board.

Other duties

- 5.15 to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal controls 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;
- 5.16 to act as the key representative body for overseeing the Company's relations with its external auditors

6. Attendance at meetings of the Committee

The Committee may invite other members of the Board, any senior officers and representatives of the external auditor to attend meetings of the Committee.

7. Frequency

The Committee shall meet at least twice a year. Additional meetings should be held if the Committee or the external auditors shall so request. However, at least once a year the Committee shall meet with the external auditors without executive Board members present.

8. Proceedings at meetings

Unless otherwise specifically provided for in these terms of reference, all of the provisions of the Articles of Association of the Company regulating meetings and proceedings of the Board shall, mutatis mutandis, govern the meetings and proceedings of the Committee.

9. Quorum

The quorum for decisions of the Committee should be any two Members, of whom at least one has to be INED.

10. Resolutions

Resolutions of the Committee shall be passed by a majority of votes which can also be passed by way of unanimous written resolutions. Meetings can be held in person, or through other electronic means of communication, e.g. by telephone or by video conference, etc.

11. Reporting procedures

The secretary of the Committee shall send the draft and final versions of minutes of the Committee meetings to all members of the Committee for their comment and records within a reasonable time after the meeting. Full minutes of the Committee should be kept by the secretary of the Committee.

12. Publication of Terms of Reference

The terms of reference will be posted on the websites of the Stock Exchange of Hong Kong Limited and the Company, explaining the role of the Committee and the authority delegated to it by the Board.

12 April 2024