



## Alpha Professional Holdings Limited

阿爾法企業控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 948)**

(the “Company”)

### TERMS OF REFERENCE OF THE AUDIT COMMITTEE

#### 1. Membership

- 1.1 The audit committee (the “**Committee**”) shall consist of not less than three members (the “**Member(s)**”) appointed by the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company, all of whom shall be non-executive Directors and at least one of the Members shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rules 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).
- 1.2 The majority of the Members must be independent non-executive Directors.
- 1.3 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive Director.
- 1.4 A former partner of the Company’s existing external auditing firm is prohibited from acting as a Member for a period of two years commencing on the date of his/her ceasing to be a partner of the firm or to have any financial interest in the firm, whichever is later.
- 1.5 The Board may at any time remove, suspend or replace any Member at its option by resolution whereupon the Committee should consist of the remaining or replaced Members.
- 1.6 The company secretary of the Company shall act as the secretary of the Committee.

#### 2. Frequency and Proceedings of Meetings

- 2.1 The Committee should meet at least twice a year and shall meet with the external auditors at least twice a year. The Committee may hold separate private meeting(s) with the external auditors and/or the internal auditors, with no executive Directors or senior management present whenever they think fit and appropriate.

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- 2.2 Additional meeting(s) should be held as the work of the Committee demands and the chairman of the Committee may also convene additional meeting(s) at his/her discretion.
- 2.3 The quorum for a meeting shall be two Members.
- 2.4 Any Members or other attendees may participate in a meeting of the Committee by means of a conference telephone or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other.
- 2.5 Proceedings of meetings of the Committee shall be governed by Clauses 117, 118 and 120 of the bye-laws of the Company.

### **3. Committee’s Resolutions**

- 3.1 A resolution in writing signed by all the Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held and may consist of several documents in like form each signed by one or more of the Members.

### **4. Authority**

- 4.1 The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advices and to invite the attendance of outsiders with relevant experience and expertise if it considers necessary.
- 4.2 The Committee shall report to the Board any suspected frauds and irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board.
- 4.3 Where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the external auditors, the Committee will arrange for the corporate governance report in the annual report of the Company to include an explanation of the Committee’s recommendation and the reason(s) why the Board has taken a different view.
- 4.4 The Committee should be provided with sufficient resources to perform its duties.

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#### **5. Responsibility**

- 5.1 The Committee is to serve as a focal point for communication between other Directors, the external auditors and the internal auditors as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
- 5.2 The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial and other reporting, by satisfying itself as to the effectiveness of the internal controls of the Company and its subsidiaries (the “**Group**”), and as to the adequacy of the external and internal audits.

#### **6. Duties, Powers and Functions**

6.1 The Committee is to:

- (a) be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, and approval of the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors;
- (b) review with the Group’s management, external and internal auditors, the adequacy of the Group’s policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;
- (c) have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (d) review and monitor the external auditors’ independence, objectivity and effectiveness of the audit process in accordance with applicable standards; and discuss with the external auditors the nature and scope of the audit and reporting obligations, including the engagement letter, before the audit commences. The Committee should understand the factors considered by the external auditors in determining their audit scope. The external audit fees are to be negotiated by the management, and presented to the Committee for review and approval annually;

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- (e) monitor the integrity of the financial statements, accounts, and the annual report, interim report and quarterly reports (if prepared for publication), and review the significant financial reporting judgements contained in them prior to submission to the Board, with particular focus 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 and auditing standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (f) with regard to (e) above:
  - (i) Members must liaise with the Board and senior management of the Group, and the Committee must meet, at least twice a year, with the external auditors; and
  - (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts, and must give due consideration to any matters that have been raised by the staff of the Group responsible for the accounting and financial reporting function, compliance officer or auditors;
- (g) review the draft representation letter prior to approval by the Board;
- (h) evaluate the cooperation received by the external auditors, including their access to all requested records, data and information; obtain the comments of management 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 which if not satisfactorily resolved would result in the issue of a qualified report on the Group’s financial statements;

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- (i) 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;
- (j) review the Group’s financial controls, risk management and internal control systems, unless expressly addressed by a separate board risk committee or by the Board;
- (k) discuss with the external auditors any recommendations arising from the audit (if necessary in the absence of management); and review the external auditors’ management letter, any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control including management’s response to the points raised;
- (l) ensure that the Board will provide a timely response to issues raised in the external auditors’ management letter;
- (m) review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- (n) review the Group’s financial and accounting policies and practices;
- (o) 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;
- (p) discuss with the management the scope and quality of systems of internal control and risk management and ensure that the management has performed its duty to have effective systems including the adequacy of resources, qualifications and experience of staff, training programmes and budget of the accounting and financial reporting function;

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- (q) apprise the Board of significant developments in the course of performing the above duties;
- (r) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (s) consider any 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 and/or into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- (t) agree with the Board the Company’s policy relating to the hiring of employees or former employees of the external auditors and monitor the applications of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditors’ judgment or independence in respect of an audit;
- (u) review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up action;
- (v) act as the key representative body for overseeing the Company’s relations with the external auditors;
- (w) report to the Board on the above matters; and
- (x) consider other topics, as defined or assigned by the Board from time to time.

## **7. Reporting Procedures**

- 7.1 The Committee should report to the Board on a regular basis on its decisions and/or recommendations unless there are legal or regulatory restrictions on its ability to do so (such as restriction on disclosure due to regulatory requirements).
- 7.2 At the next meeting of the Board following a meeting and/or written resolutions of the Committee, the findings, recommendations and decisions of the Committee should be submitted to the Board.

*Updated as of 29 June 2023*

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