



TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

添利工業國際(集團)有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 00093)

Terms of reference for Audit Committee

Constitution

1. The audit committee (the “Committee”) was formed pursuant to the board resolution of Termbray Industries International (Holdings) Limited (“the Company”).

Membership

2. The Committee shall be appointed by the board of directors (the “Board”) from amongst the Non-Executive Directors of the Company and shall consist of not less than three members, a majority of whom should be independent non-executive directors and at least one of whom must have the appropriate professional qualifications or accounting or related financial management expertise as required under 3.10(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
3. A former partner of the Company’s existing auditing firm from time to time may not act as a member of the Committee for a period of two years commencing on 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.
4. The Chairman of the Committee shall be appointed by the Board and must be an independent non-executive director.

Attendance at meetings

5. Attendees shall normally include Committee’s members, the Finance Director, the Head of Internal Audit (where an internal audit function exists), a representative of the external auditors and those with meaningful input to the Committee’s activities. However, at least once a year the Committee shall meet with the external and internal auditors (if any) without executive Board members and management of the Company present.
6. The company secretary shall be the secretary of the Committee. The secretary of the Committee or in his absence, his representative or any one member, shall be the secretary of the meetings of the Committee.

** For identification only*

Frequency and proceedings of meetings

7. Meetings shall be held not less than twice a year. The external auditors or any members of the Committee may request a meeting with or without the presence of the management of the Company if they consider that one is necessary.
8. A quorum of the meetings of the Committee shall be two members. Any members of the Committee or other attendees may participate in a meeting of the Committee by attending in person or by means of a telephone conference or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
9. With consent by all members of the Committee, resolutions of the Committee could be passed by written resolutions.
10. Any resolution shall be passed by the majority votes of the members of the Committee who attend the meeting and a majority vote of the members present shall represent an act of the Committee.

Notice of meetings

11. Meetings of the Committee shall be called by its Chairman or at the request of the Board.
12. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be issued to each member of the Committee, the chief executive officer of the Company, the chief financial officer of the Company and any other person required to attend, no fewer than five working days prior to the date of the meeting.

Authority

13. The 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 Committee.
14. The 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 if it considers this necessary.

Responsibility

15. The Committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor of the Company as regards their duties relating to financial and other reporting, risk management and internal control systems, external and internal audits and such other financial and accounting matters as the Board determines from time to time.

16. The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Company and its subsidiaries (the “Group”), overseeing the audit process, reviewing the completeness, accuracy, clarity and fairness of the Company’s financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected transactions and performing other duties and responsibilities as may be assigned by the Board from time to time.

Duties

17. The duties of the Committee shall be :
- (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 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 Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
 - (d) 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 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;

- (e) regarding (d) above:
 - (i) members of the Committee 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;
- (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 the 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;
- (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) to discuss problems and reservations arising from the interim review and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);
- (j) 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;
- (k) to review the Company's statement on risk management and internal control systems (where one is included in the corporate governance report) prior to endorsement by the Board;
- (l) 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;
- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters in this terms of reference of the Committee;
- (o) to review arrangements that employees of the Company can under confidential condition, raise concerns about possible improprieties in financial reporting,

internal control or other matters; and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- (p) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (q) to review the group's financial and accounting policies and practices;
- (r) review annually the external auditor's fees which have been negotiated with management of the Company;
- (s) when the external auditor renders a substantial volume of non-audit services to the Group, to keep the nature and extent of such services under review, and ensure that the provision by the external auditor of non-audit services does not impair the external auditor's independence or objectivity; and
- (t) to consider other topics, as defined by the Board.

Reporting procedures

- 18. The Chairman of the Committee who chair the meetings or other member of the committee who is authorised by the Chairman of the Committee to chair the meeting shall report to the Board after each meeting of the Committee.
- 19. Full minutes of the meetings of the Committee should be kept by the secretary of the Company, which should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Committee members or dissenting views expressed. Draft and final versions of minutes of the Committee meetings should be sent to all members of the Committee for their comment and records respectively within a reasonable time after the meeting.
- 20. The secretary or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the Board.

Others

- 21. The Chairman of the Committee or in his absence, another member of the Committee or failing this, his 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 Committee's activities and their responsibilities.

(Note: Last amended on 26 August 2022)