

Adopted on 1 January 2023



HING YIP HOLDINGS LIMITED

興業控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code : 00132)

**TERMS OF REFERENCE FOR THE
AUDIT COMMITTEE**

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Terms of Reference for the Audit Committee

Constitution

- 1 The Audit Committee (the “Committee”) was formed pursuant to the board resolution of **HING YIP HOLDINGS LIMITED** (“the Company”) passed on 24 September 1998 and this terms of reference was last revised and adopted on 1 January 2023.

Membership

- 2 The Committee members shall be appointed by the board of directors of the Company (the “Board”) from amongst the non-executive directors of the Company and shall consist of not less than three members, including at least one independent non-executive director with appropriate professional qualification or accounting or related financial management expertise as defined under rules 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The majority of Committee members must be independent non-executive directors of the Company.
- 3 The chairman of the Committee shall be appointed by the Board and should be an independent non-executive director of the Company.
- 4 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 the later.

Attendance at meetings

- 5 The meetings and proceedings are governed by the provisions contained in the bye-laws of the Company for regulating meetings and proceedings of Directors.
- 6 Attendees shall normally include Committee’s members, the financial controller, the head of internal audit department, a representative of the external auditor of the Company (“the Auditor”) and those with meaningful input to the Committee’s activities. However, at least once a year the Committee shall meet with the Auditor and/or the head of internal audit department without executive directors or senior management present.
- 7 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.
- 8 The quorum of the Committee shall be two members. Any member 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.

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Frequency of meetings

- 9 Meetings shall be held not less than twice a year. The Auditor or any member of the Committee may request a meeting if they consider that one is necessary.

Authority

- 10 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 within its terms of reference made by the Committee.
- 11 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.
- 12 The Committee is authorized to require management of the Company to provide it with such resources as may be necessary for it to discharge its duties as set out in these terms.
- 13 The Committee is authorized to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

Responsibility

- 14 The Committee is to serve as a focal point for communication between other directors, the Auditor and internal audit department of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time.
- 15 The Committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system 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

The duties of the Committee shall be :

16 The relations with the Auditor of the Company

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- 16.1 be responsible for making recommendation 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 auditors, and any questions of resignation or dismissal of that Auditor;
- 16.2 to act as the key representative body for overseeing the Company's relations with the Auditor;
- 16.3 to review with the Group's management, Auditor and internal audit department, where an internal audit function exists in the Company, 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 of the Company to be included in the annual accounts prior to endorsement by the Board;
- 16.4 have familiarity with the accounting and financial reporting principles and practices applied by the Group in preparing its financial statements;
- 16.5 before audit commencement, review Auditor's independence, objectivity, effectiveness of the audit process in accordance with the applicable standards and discuss with the Auditors the nature and scope of the external audit, including the engagement letter, and the reporting obligations. The Committee should understand the factors considered by the Auditors in determining their audit scope. The external audit fees are to be negotiated by management of the Company, and presented to the Committee for review and approval annually;
- 16.6 to develop and implement policy on engaging an Auditor to supply non-audit services. For this purpose, "Auditor" includes any entity that is under common control, ownership or management with the Auditor or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the Auditor nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 16.7 when the 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 Auditor of non-audit services does not impair the Auditor's independence or objectivity. When evaluating the independence and objectivity of the Auditor in rendering non-audit services to the Group, the Committee should consider:
- 16.7.1 to ensure the skill and experience of the Auditor is appropriate to render such non-audit services;
- 16.7.2 to ensure any safeguard and that the provision by the Auditor of non-audit services does not impair the Auditor's independence or objectivity;
- 16.7.3 to consider the nature of the non-audit services, the related fee levels and fee levels individually and in total relative to the Auditor;
- 16.7.4 to determine remuneration policy for the individuals who rendering non-audit services.

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17 Review the financial information of the Company

17.1 to review and monitor the integrity of the Company's financial statements and the annual, quarterly and interim financial reports, and to review significant financial reporting judgements contained in them prior to approval by the Board, with particular focus on:

17.1.1 any changes in accounting policies and practices;

17.1.2 major judgmental areas;

17.1.3 significant adjustments resulting from audit;

17.1.4 the going concern assumptions and any qualifications;

17.1.5 compliance with accounting standards; and

17.1.6 compliance with the Listing Rules and legal requirements in relation to financial reporting;

17.2 Regarding 17.1 above:-

17.2.1 members of Committee should liaise with Board and senior management and the Committee must meet, at least twice a year, with the Auditor; and

17.2.2 the Committee should 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 the Auditor.

18 Review the Company's financial controls, risk management and internal control systems

18.1 to review the Group's financial and accounting policies and practices;

18.2 to review the Company's financial controls, risk management and internal control systems;

18.3 to evaluate the cooperation received by the Auditor, including their access to all requested records, data and information; obtain the comments of management of the Company regarding the responsiveness of the Auditor to the Group's needs; inquire of the external auditors as to whether there have been any disagreements with management of the Company which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;

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- 18.4 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;
- 18.5 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;
- 18.6 to discuss with the Auditor any recommendations arising from the audit (if necessary in the absence of management of the Company); and review the Auditor's draft management letter, any material queries raised by the auditor to management of the Company in respect of the accounting records, financial accounts or systems of control including the response of the Company's management to the points raised;
- 18.7 to seek from the 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;
- 18.8 to ensure that the Board will provide a timely response to the issues raised in the Auditor's management letter;
- 18.9 to review the Company's statement on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board;
- 18.10 where an internal audit function exists in the Company, ensure co-ordination between the internal audit department and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group, and to review and monitor its effectiveness;
- 18.11 to review the audit plan and audit report of the internal audit department;
- 18.12 to apprise the Board of significant developments in the course of performing the above duties;
- 18.13 to recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee.

19 Other

- 19.1 to ensure the compliance by the Company of the requirements of the Listing Rules and applicable rules in respect of practice and procedures of connected transactions;
- 19.2 to review this terms of reference from time to time and propose to the Board any necessary amendment is required, where appropriate;

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- 19.3 to report to the Board on the matters as set out in this terms of reference of the Committee and if there is any concerns or improvement found during the monitoring process by the Committee, the Committee should raise out and suggest relevant improvement to the Board;
- 19.4 to review the whistle blowing policy and system and to ensure the employees of and those who deal with the Company can raise concerns, in confidence and anonymity, with the Committee about possible improprieties in any matter related to the Company, and proper arrangements are in place for fair and independent investigation of the matters and for appropriate follow up action; and
- 19.5 to consider other topics, as defined by the Board.

Reporting procedures

- 20 The chairman of the Committee who chair the meetings or other member of the committee who is authorised by the chairman of the Committee shall report to the Board after each meeting of the Committee.
- 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.
- 22 The secretary of the Committee or his representative shall circulate the minutes of meetings and reports of the Committee to all members of the Board.