

**NANYANG HOLDINGS LIMITED**  
**(Incorporated in Bermuda with limited liability)**  
**(Stock Code: 212)**

**AUDIT COMMITTEE - TERMS OF REFERENCE**

(Adopted by the Board on 30 June 2005, revised on 15 April 2009, 18 May 2012 and 2 September 2015, and further revised on 2 December 2015 and 22 March 2023)

**Constitution**

1. This Audit Committee (the “Committee”) was established by the Board on 25 September 1998.

**Membership**

2. The Committee should consist of not less than three non-executive directors with a majority of independent non-executive directors. The Chairman of the Committee must be an independent non-executive director (“INED”). At least one of the INEDs should have appropriate professional qualifications or accounting or related financial management expertise. Quorum of meeting shall not be less than two members.
3. The Company Secretary shall act as secretary of the Committee.

**Duties**

4. The duties of the Committee shall include the following:

*Relationship with the Company’s auditor*

- (a) to make recommendations to the Board on the appointment, re-appointment and dismissal 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 external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on the engagement of the external auditor for the performance of non-audit services and the hiring of employees or former employees of the external auditor;

- (d) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

*Review of the Company's financial information*

- (e) to monitor the integrity of the Company's interim and annual reports and financial statements, and to review the significant financial reporting judgments contained in them before recommending them to the Board for approval, with particular emphasis on:
  - (i) any changes in the Group's accounting policies and practices;
  - (ii) major judgmental areas (including those in the representation letter from the Company to the external auditor);
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (f) In respect of (e) above, members of the Committee shall communicate with the Board and senior management. The Committee shall meet, at least twice a year, with the Company's auditor. The Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and financial statements and give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function and external auditor before public disclosure;

*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 design, implementation and monitoring of the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems including 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, 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 the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's responses;
- (m) to ensure that the Board shall provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on matters included under the heading of "Audit Committee" in Appendix 14 of the Listing Rules;
- (o) to consider other matters, as defined by the Board; and
- (p) to act as the key representative body for overseeing the Company's relationship with the external auditor.

#### *Whistleblowing*

- (q) monitor the use and effectiveness of the whistleblowing policy and system for employees and other stakeholders who deal with the Company to raise concerns, in confidence, with the Committee about possible misconducts, malpractices, and irregularities seriously in any matter related to the Company, including but not limited to those in financial reporting, internal control, and audit matters;
  - (r) ensure that proper arrangements are in place for a fair and independent investigation of these possible misconducts, malpractices, and irregularities seriously;
  - (s) receive, review and act upon any report regarding evidence of any material violation of securities law or breach of fiduciary duty or similar violation by the Company or any agents thereof, if such a report is submitted to the Committee by an attorney or otherwise.
5. The Committee shall review and ensure proper arrangements are in place by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control, or other matters for a fair and independent investigation of such matters and for appropriate follow-up action.

### **Attendance at Meetings**

6. Senior management of the Company shall attend meetings by invitation.
7. Separate meetings (at least once a year) should be held among the Committee's INEDs and the external auditor for discussion of Company's matters.

### **Frequency of Meetings**

8. Meeting shall be held at least twice per annum.

### **Authority**

9. 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.
10. The Committee is authorized by the Board to obtain legal and other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if the Committee considers it necessary.

### **Reporting Procedures**

11. The secretary shall keep the full minutes of all meetings of the Committee and circulate the minutes of the meetings in draft and final versions to all Committee members for their comment and records and, when requested by the Committee Chairman, a summary of major findings to all members of the Board.
12. The Committee Chairman, failing him, a member of the Committee shall be available to attend the annual general meeting of the Company to answer questions relating to internal control, risk management and financial reporting matters.

### **Implementation and Review of the Terms of Reference**

13. The Audit Committee will review its terms of reference and effectiveness annually, and recommend to the Board any necessary changes.

### **Disclosure and Publication**

14. This Term of Reference is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited for public information.