

Audit Committee Terms of Reference and Operating Rules

Chapter 1 Objectives

Rule 1 The Audit Committee (the “Committee”) of Sino-Ocean Group Holding Limited (the “Company”) aims to assist the board of directors of the Company (the “Board”) in:

- (1) ensuring that effective systems of internal control and risk management are in place and compliance with the Company’s obligations (including external financial reporting obligations) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and applicable laws and regulations; and
- (2) verifying the integrity of the financial statements of the Company.

Rule 2 The Committee shall be directly responsible on behalf of the Board for:

- (1) making recommendations on the appointment and supervision of the external auditors of the Company and determination of their remuneration;
- (2) assessing the independence and qualification of the external auditors; and
- (3) monitoring the internal audit function of the Company and the performance of the external auditors.

Chapter 2 Composition

Rule 3 The Committee shall be formed by at least three directors comprising non-executive directors and independent non-executive directors, and a majority of which shall be independent non-executive directors, and at least one of which shall be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. The chairman of the Committee shall be an independent non-executive director and appointed by the Board.

Rule 4 A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two (2) years from the date of the person ceasing:

- (1) to be a partner of the firm; or
 - (2) to have any financial interest in the firm,
- whichever is later.

Rule 5 Members of the Committee shall be appointed by the Board and can be removed by the Board at its sole discretion.

Rule 6 The Board shall from time to time vary the composition of the Committee in accordance with the Listing Rules (as amended from time to time), or the rules of any other stock exchange in respect of which shares of the Company are listed or quoted, or such codes, rules and regulations as may be prescribed by the Securities and Futures Commission of Hong Kong or any other applicable regulators from time to time (collectively, the “Applicable Rules”).

Rule 7 The company secretary of the Company shall be the secretary of the Committee.

Chapter 3 Authority

Rule 8 The Committee shall report directly to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so (such as a restriction on disclosure due to regulatory requirements). Where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the external auditors, the Company shall include in the corporate governance report of the annual report a statement from the Committee explaining its recommendations and also the reason(s) why the Board has taken a different view.

Rule 9 The Committee is authorised to inspect all accounts, books and records of the Company and the Committee shall have the right to require the management of the Company to furnish all information as requested by the Committee as may be required for the purpose of performing its duties.

Rule 10 The Committee shall be provided with sufficient resources to perform its duties. Where necessary, the Committee is authorized to obtain external legal or other independent professional advice, at the Company’s expense, to perform its responsibilities, and to invite external parties with relevant experience and expertise to attend its meetings. The Committee shall have full authority to approve related fees and the re-appointment terms.

Chapter 4 Duties

Rule 11 The duties of the Committee shall include the following:

- (1) Relationship with the Company’s external auditors
 - (i) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any issues relating to resignation or dismissal of the external auditors;
 - (ii) to act as the key representative body for overseeing the relations of the Company with the external auditors;

- (iii) to review and monitor the independence and objectivity of the external auditors in accordance with applicable standards. The Committee shall:
 - (a) consider all relationships between the Company and the audit firm (including non-audit services);
 - (b) seek from the audit firm on an annual basis, information about policies and processes for maintaining its independence and compliance with relevant requirements, including current requirements regarding rotation of audit partners and staff; and
 - (c) meet with the auditors, at least annually, in the absence of management of the Company, to discuss matters relating to the audit fees, any issues arising from the audit and any other matters the auditors or the Committee may wish to raise;
- (iv) to review and monitor the effectiveness of the audit process in accordance with applicable standards. The Committee shall discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- (v) to develop and implement policy on the engagement of the external auditors to supply non-audit services. For this purpose, the external auditors shall include 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 shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (vi) to be primarily responsible for making recommendations to the Board for approval of any non-audit services provided to the Company by the external auditors. The Committee should ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity. When assessing the independence or objectivity in relation to the provision of non-audit services, the Committee should consider:
 - (a) whether the skills and experience of the audit firm make it a suitable provider of the non-audit services;
 - (b) whether there are safeguards in place to ensure that there is no threat to its objectivity and independence in the conduct of the audit resulting from provision of such non-audit services by the external auditors;
 - (c) the nature of the non-audit services, the related fee levels and the fee levels individually and in total relative to the audit firm; and

- (d) the criteria which govern the compensation of the individuals performing the audit;
 - (vii) to establish policies regarding hiring of employees or former employees of the external auditors and monitoring the application of such policies. The Committee shall then be in a position to consider whether there has been or appears to be any impairment of the auditors' judgment or independence.
- (2) Review of the Company's financial information
 - (i) to monitor integrity of the financial statements of the Company, the annual report and accounts, half-year report and accounts and, if prepared for publication, quarterly reports of the Company, and to discuss with management and the external auditors such annual report and audited accounts and half-year report and accounts, and to review significant financial reporting judgments contained in them. In reviewing these accounts and reports before submission to the Board, the Committee shall focus particularly on:
 - (a) any changes in financial reporting and accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from audit;
 - (d) the going concern assumptions and any qualifications;
 - (e) compliance with accounting standards; and
 - (f) compliance with the Listing Rules and any other legal requirements in relation to financial reporting;
 - (ii) with regard to 2(i) above,
 - (a) to liaise with the Board and senior management and the parties appointed as the Company's qualified accountant and to meet, at least twice a year, with the external auditors; and
 - (b) to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts referred to above and must give due consideration to any matters that have been raised by the staff responsible for the accounting and financial reporting function, compliance officer or auditors of the Company.
- (3) Oversight of the Company's financial reporting system, risk management and internal control systems:
 - (i) to review the group's financial and accounting policies and practices;

- (ii) to review all material controls, including financial, operational and compliance controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the effectiveness of the Company's risk management and internal control systems, financial reporting process and Listing Rules compliance;
- (iii) to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (iv) to discuss the risk management and internal control systems with management of the Company to ensure that management has performed its duty to have effective systems in place. The discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting function as well as those relating to the Company's environment, social and governance performance and reporting;
- (v) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the response of management of the Company to these findings;
- (vi) 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;
- (vii) to review the statement of the Company on risk management and the internal control systems included in the annual report, which are to be proposed to the Board for approval;
- (viii) to discuss any problems and qualified opinions possibly arising from the external auditors' interim and annual audits, or other work and any response of the management in connection therewith;
- (ix) to review the external auditors' management letter, any material queries raised by the auditors to management of the Company in respect of the accounting records, financial accounts or systems of control and the response of management of the Company;
- (x) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter; and
- (xi) to report to the Board on the matters in the code provision under the Listing Rules.

- (4) Monitoring and overseeing the anti-fraud, anti-bribery and whistleblowing policies and systems:
- (i) to formulate, monitor and oversee compliance with the anti-fraud, anti-bribery and whistleblowing policies and systems of the Company (including a regular review these policies to ensure they remain effective and adequate for the purpose of the applicable laws and regulations and making recommendations to the Board for any amendments to the policies where necessary) so that the employees or those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, about possible improprieties in any matter relating to the Company's business operations, including but not limited to improprieties in business conducts, financial reporting, risk management, internal control or other matters related to the Company;
 - (ii) to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
 - (iii) to review the Company's findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations.
- (5) Other duties
- (i) to determine whether the Company's practices and procedures with respect to connected transactions are adequate for compliance with the requirements under the Listing Rules and the Applicable Rules;
 - (ii) to review from time to time as appropriate these Terms of Reference and Operating Rules and recommend to the Board any necessary changes;
 - (iii) to authorize the risk management department of the Company to act as the office of the Committee for execution of the audit policies;
 - (iv) to report to the Board on the matters set out in these Terms of Reference and Operating Rules and where the monitoring activities of the Committee reveal cause for concern or scope for improvement, the Committee shall make recommendations to the Board to address the issue or to make improvements;
 - (v) to provide to the Board such assurances as it may reasonably require regarding compliance by the Company's subsidiaries and associates for which the Company provides management services with all applicable supervisory and other regulations; and
 - (vi) to consider other topics or matters, as defined or referred to the Committee by the Board.

Chapter 5 Committee Meetings

Rule 12 Frequency

The Committee shall hold regular meetings (“Regular Meeting(s)”) at least twice a year for the purposes of, among other matters, review and discussion the interim and annual financial statements of the Company, and additional meetings as required. Any one (1) member may call a meeting of the Committee (except for emergency meetings which shall be convened by any two (2) members (“Emergency Meetings”).

Rule 13 Notice

Notice of a meeting shall be deemed to be duly given to a member if it is given to him or her personally in writing or orally or sent to him or her at his or her address or email address notified by him or her to the Company. In respect of the Regular Meetings, notice of at least seven (7) days should be given. For Emergency Meetings, reasonable notice should be given. For meetings other than Regular Meetings and Emergency Meetings, notice of at least three (3) days should be given. The notice requests under this Rule can be waived by all member in meeting. A member may waive a notice of any meeting and any such waiver may be prospective or retrospective. Irrespective of the length of notice given, attendance of a meeting by a member shall be deemed a waiver of the requisite length of notice by the member. Notice of any adjourned meeting is not required if the adjournment is less than seven (7) days.

Rule 14 Quorum

The quorum for meetings of the Committee shall be any two (2) members, of which at least one of them shall be an independent non-executive director.

Rule 15 Attendance

- (1) Members of the Committee shall attend meetings in person.
- (2) A meeting of the Committee may be held by means of a telephone or video conference facility or any other telecommunications facility provided that all participants are able to communicate contemporaneously by voice with all other participants.
- (3) The following persons shall normally attend all meetings of the Committee, unless determined otherwise by the Committee:
 - (i) the Company’s chief financial officer;
 - (ii) the external auditors; and
 - (iii) company secretary.

The other members of the Board may be, from time to time, invited to attend the meetings of the Committee.

However, the aforesaid persons are not entitled to vote at such meetings.

Rule 16 Resolutions

Each member shall have one (1) vote in each resolution. Resolutions of the Committee shall be passed by a majority of votes cast at a meeting of the Committee duly convened and held or by way of written resolutions signed by the majority of the members duly appointed and entitled to vote except such members who are temporarily unable to act through ill-health or disability.

Rule 17 Minutes

- (1) The draft and final version of the minutes of a meeting of the Committee shall be sent to all members for their comment and records respectively within reasonable time after such meeting.
- (2) The records of the Committee meetings, including notice of meetings, materials, voting papers, minutes and resolutions, shall be kept by the secretary of the Committee.

Chapter 6 Interpretation

Rule 18 The power of interpretation of these Terms of Reference and Operating Rules shall be vested in the Board.

Effective Date: 28 December 2022

Sino-Ocean Group Holding Limited

(Incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

Stock Code : 03377