

**EVERCHINA INT’L HOLDINGS COMPANY LIMITED**  
(the “Company”)  
**Audit Committee**

**Terms of Reference**

**Constitution**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company has established a committee of the Board known as the Audit Committee.

**Membership**

- 1 The Audit Committee shall comprise non-executive Directors only appointed by the Board. The Audit Committee shall consist of not less than three members, at least one of whom is an independent non-executive Director with such professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The majority of committee members should be independent non-executive Directors.
- 2 A former partner of the Company's existing auditing firm shall not act as a member of the Audit Committee for a period of two years from the date of his ceasing (a) to be a partner of such firm; or (b) to have any financial interest in such firm, whichever is later.

**Chairman**

- 1 The Board shall appoint the chairman of the Audit Committee (the “**AC Chairman**”). The AC Chairman must be an independent non-executive Director. The AC Chairman has the responsibility of liaising with the Board.
- 2 The AC Chairman shall chair the meetings of the Audit Committee.
- 3 In the absence of the AC Chairman during a meeting of the Audit Committee, the remaining members present at such meeting shall elect one of themselves to chair such meeting of the Audit Committee.

**Quorum and voting at meetings**

- 1 The quorum of Audit Committee meetings shall be two members. If only two members are in attendance, both members shall be independent non-executive Directors. If more than two members are in attendance, a majority of the members shall be independent non-executive Directors.
- 2 Questions arising at any meetings shall be decided by a simple majority of votes.

**Attendance at meetings**

- 1 The company secretary of the Company shall be the secretary of the Audit Committee (the “**Secretary**”).

- 2 As necessary or desirable, the AC Chairman may request that members of management and representatives of the external auditors be present at meetings of the Audit Committee. Other directors of the Board shall also have the right of attendance. However, at least once a year, the Audit Committee shall meet with the external auditors without executive directors of the Board present.
- 3 Meetings can be held by way of telephone conference.

#### **Frequency of meetings**

Meetings shall be held not less than two times a year. Any Audit Committee member may convene a meeting of the Audit Committee and invite any representative of the external auditors and/or internal auditors to attend the same in the absence of any executive Director or any member of the management of the Company. The external auditors may make a request to the AC Chairman to convene a meeting of the Audit Committee and the AC Chairman shall have the discretion whether or not to convene such a meeting and decide on the date, time and venue of such meeting.

#### **Notice of meetings**

- 1 Meetings of the Audit Committee shall be convened by the Secretary at the request of any of its members or at the request of the external or internal auditors.
- 2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, shall be sent to each member of the Audit Committee, and to any other person required to attend:
  - (a) in relation to all regular meetings of the Audit Committee, at least 14 days before the date of the meeting; and
  - (b) in relation to all other meetings of the Audit Committee, within a reasonable time prior to the date of the meeting.
- 3 An agenda of items to be discussed, together with supporting papers shall be sent to Audit Committee members and to other attendees as appropriate within a reasonable time prior to the date of the meeting.
- 4 Any member of the Audit Committee shall be entitled, by notice to the Secretary, to include other matters relevant to the functions of the Audit Committee in the agenda of an Audit Committee meeting.

#### **Minutes of meetings**

- 1 The Secretary (or his/her delegate) in attendance at the meetings of the Audit Committee shall prepare minutes in sufficient detail in respect of the proceedings and resolutions of all such meetings, including the names of those present and in attendance. The minutes should also include any concerns raised by any member of the Audit Committee and/or dissenting views expressed.
- 2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and record such (if any) accordingly. Any member of the Audit Committee ascertained by the Secretary to have any conflict of interest shall not be

counted towards the quorum and he/she must abstain from voting on any resolution of the Audit Committee in which he/she and/or his/her associates has/have a material interest.

- 3 Draft and final versions of the minutes of Audit Committee meetings shall be sent to all Audit Committee members for their comment and records respectively, in both cases within a reasonable time after the meeting. Once they are agreed upon, the Secretary shall circulate the minutes and reports of the Audit Committee to all members of the Board.
- 4 Minutes of the Audit Committee meetings shall be kept by the Secretary and shall be available for inspection by any member of the Audit Committee and/or any Director at any reasonable time on reasonable notice.

#### **Annual general meetings**

- 1 The AC Chairman shall endeavor to attend the annual general meetings of the Company and be prepared to respond to any questions of the shareholders of the Company (the “Shareholders”) relating to the Audit Committee's activities.
- 2 If the AC Chairman is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Audit Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any such questions.

#### **Reporting responsibilities**

- 1 After each meeting, the AC Chairman shall report formally to the Board on all matters within its duties and responsibilities.
- 2 The Audit Committee shall make whatever recommendations it deems appropriate to the Board on any area within its remit where action or improvement is needed.
- 3 Where the Board disagrees with the Audit Committee's views on the selection, appointment and resignation or dismissal of the external auditor, the Audit Committee shall prepare a statement, for inclusion in the Company's Corporate Governance Report, explaining its recommendations. The Board shall include in the same report the reason(s) why the Board takes a different view.
- 4 The Audit Committee shall, with the assistance of the Secretary, compile a report to the Shareholders on its role and activities which will be included in the Company's Corporate Governance Report.

#### **Line of communication**

The AC Chairman shall give instructions (through the Chairman or the Financial Controller) to conduct reviews on areas of possible concern to be performed by the internal audit services department of the external auditors or, if established, the Company's internal auditor.

#### **Authority**

The Audit Committee is authorised by the Board:

1. to investigate any activity within its terms of reference;
2. to seek any information it requires from any employee of the Company and all such employees are directed to co-operate with any request made by the Audit Committee;
3. subject to the Company's procedure for seeking external advice, 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;
4. to investigate 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;
5. to review the risk management and internal control system;
6. to make recommendations to the Board for the improvement of the risk management and internal control system;
7. to oversee the environmental, social and governance (“ESG”) matters; and
8. to request the Board to provide with sufficient resources to discharge its duties.

### **Duties**

The duties of the Audit Committee shall be:

#### *Relationship with the Company’s auditors*

1. to be primarily 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 auditor, and any questions of resignation or dismissal of that auditor;
2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
3. to develop and implement policy on the engagement of an external auditor to supply non-audit services, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

#### *Review of the Company’s financial information*

4. to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained therein, and in this regard, in reviewing the Company’s annual report and accounts, half-year report and, if prepared for publication, quarterly reports before submission to the Board, focusing 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 other legal requirements in relation to financial reporting;
5. in regard to the above, the Audit Committee members shall liaise with the Board and senior management of the Company and the Audit Committee must meet, at least twice a year, with the external auditor, and the Audit 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 Company's qualified accountant, external auditor or compliance officer;

*Oversight the Company's financial reporting system, risk management and internal control systems*

- 6. 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;
- 7. to discuss with the management the risk management and internal control system and ensure that management has performed its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- 8. to consider any findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and management's response;
- 9. 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 the effectiveness of the internal audit function;
- 10. to review the financial and accounting policies and practices of the group, comprising the Company and its subsidiaries;
- 11. to review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- 12. to ensure that the Board will provide a timely response to the issues raised in the

- external auditor's management letter;
13. to report to the Board on the matters under this paragraph and matters required to be performed by the Audit Committee under Appendix 14 of the Listing Rules and revisions thereto implemented from time to time;
  14. to consider other topics, as defined by the Board;
  15. to review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
  16. to act as the key representative body for overseeing the Company's relationship with the external auditor; and
  17. to review the Company's statement and disclosure on risk management and internal control systems (where one is included in the annual report) prior to endorsement by the Board

*Oversight of the Company's ESG matters*

18. identify ESG issues that are relevant and significant to the operations of the Company and/or substantially affect the shareholders and other key stakeholders, which shall include environmental and social aspects as stated in Appendix 27 to the Listing Rules;
19. review the Company's vision, strategy, framework, principles and policies in relation to ESG Matters, make relevant recommendations to the Board;
20. review and monitor the Company's policies, practices and performance in relation to ESG Matters to ensure compliance with legal and regulatory requirements and that they are appropriate in the context of the size, business nature and scope of the Company;
21. monitor the key performance indicators and standards set and performance achieved on ESG Matters by the Company;
22. evaluate, review and report to and recommend the Board on the effectiveness of the policies, management and performance of the Company's material ESG matters at least once annually and as and when necessary;
23. review the disclosure on the performance of ESG matters of the Company and make recommendations to the Board, including but not limited to:
  - (i) review the ESG reports to ensure its accuracy and recommend the Board to approve the ESG reports, and propose specific actions or decisions to the Board for consideration, so as to maintain the integrity of the ESG reports; and
  - (ii) review the disclosure on ESG matters of the Company whether by way of inclusion in its annual report or a separate report in compliance with the

relevant legal and regulatory requirements (including but not limited to the Environmental, Social and Governance Reporting Guide and the Listing Rules of the Stock Exchange).

### **Reporting Procedures**

The Audit Committee shall report to the Board on their findings, decisions and recommendations, if any on a regular basis.

### **Others**

The Audit Committee shall have access to sufficient resources in order to discharge its duties. In the event that the Audit Committee determines that it has insufficient resources, it may make a request for additional resources to the Board through the Secretary.

All members of the Audit Committee shall have access to the advice and services of the Secretary with a view to ensuring that procedures of the Audit Committee and all applicable rules and regulations are followed.

Any member of the Audit Committee may require access to outside legal or other independent professional advice in connection with his/her duties at the Company's expense. All such requests shall be processed in accordance with the Company's procedures for seeking independent professional advice by Directors.

Every member of the Audit Committee shall give sufficient time and attention to his/her duties as a member of the Audit Committee. He/she shall give the Company the benefit of his skills and expertise through regular attendance and active participation.

*Note: In the event of discrepancies between the Chinese and the English versions, the English version shall prevail.*