



# **EVA Precision Industrial Holdings Limited**

**億和精密工業控股有限公司**

(the “**Company**”)

*(Incorporated with limited liability in the Cayman Islands)*

(Stock Code: 838)

## **Terms of Reference for the Audit Committee (the “Committee”) of the Company**

### **Constitution**

1. The Committee was established pursuant to a resolution passed by the board of directors of the Company (the “**Board**”, each member of the Board a “**Director**”) at the Board’s meeting held on 20 April 2005. These terms of reference of the Committee were revised and adopted by written resolutions passed by the Board dated 12 March 2012, 24 December 2015 and 30 March 2026.

### **Membership**

2. The members of the Committee (each a “**Member**”) shall be appointed by the Board from amongst the non-executive Directors and the Committee shall consist of not less than three Members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). The majority of Members must be independent non-executive Directors.
3. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a Member for a period of two years from the date of his or her 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.
5. The appointment of any Member may be revoked, and replacement or additional Members may be appointed to the Committee by resolutions passed by the Board.

## **Secretary**

6. The company secretary of the Company or his or her delegate shall act as the secretary of the Committee (the “**Secretary**”).
7. Notwithstanding paragraph 6, the Committee may from time to time appoint any person (other than the company secretary of the Company) with appropriate qualification and experience as the Secretary.

## **Attendance at Meetings**

8. The chief financial officer of the Company (or any officer(s) assuming the relevant functions but having a different designation) and the representative(s) of the external auditor shall normally attend meetings of the Committee (each a “**Meeting**”), provided that the Committee may also meet among its members only or with the representative(s) of the external auditor in the absence of any executive Directors or management of the Company. The Committee may invite any appropriate person to attend any Meeting. Subject as provided in this paragraph, other Board members shall also have the right of attendance.

## **Frequency and proceedings of Meetings**

9. The Committee shall meet at least twice a year, and more frequently if circumstances require.
10. Unless otherwise agreed by all Members, a Meeting shall be called by at least seven days’ notice.
11. A Member may and, on the request of a Member, the Secretary shall, at any time summon a Meeting. A notice of Meeting shall be given by the Secretary to all Members in person orally or in writing or by telephone or by facsimile transmission or by electronic communication or in such other manner as the Committee may from time to time determine. A notice of Meeting shall be accompanied by an agenda together with other documents which may be required to be considered by the Members for the purposes of the Meeting.
12. The quorum for a Meeting shall be two Members.
13. Members may participate in any Meeting by means of telephone or video conference or other communication equipment through which all persons participating in the Meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a Meeting as if those participating were present in person.
14. The external auditor may request a Meeting if they consider necessary.

15. Resolutions of the Committee at any Meeting shall be passed by a majority of votes of the Members present.
16. A resolution in writing signed by all Members shall be as valid and effective as if it had been passed at a Meeting duly convened and held.

### **Authority**

17. The Committee is authorised:
  - (a) to seek any information it requires from any director or employee of the Company and its subsidiaries (collectively, the “**Group**”) and any professional advisers (including auditor) and to require any of them to prepare and submit reports, to attend Meetings, to supply information and to address the questions raised by the Committee, and all directors and employees of the Group are directed, and all professional advisers are requested, to supply all such information as may be requested by the Committee;
  - (b) to investigate any activity within its terms of reference and all directors and employees of the Group are directed to cooperate with such investigation;
  - (c) to report to the Board any suspected frauds or irregularities, failures of risk management or internal controls, or suspected infringements of laws, rules, and regulations, including the Listing Rules, which has come to its attention and are of sufficient importance to warrant the attention of the Board; and
  - (d) to obtain external legal or other independent professional advice and to secure the attendance of external advisers with relevant experience and expertise if it considers necessary.
18. The management of the Company is obliged to supply the Committee with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. The Committee and each of its Members shall have full access to the management of the Company.
19. The Committee shall be provided with sufficient resources to perform its duties.
20. Where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the external auditor, the Board shall arrange for the Corporate Governance Report in the Annual Report of the Company (as defined under the Listing Rules) to include an explanation of the Committee’s view and the reasons why the Board has taken a different view.

## **Responsibilities and powers**

21. The Committee shall have the following responsibilities and powers:

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

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment 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 and ensure co-ordination where more than one audit firm is involved;
- (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;

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

- (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) in regard to (d) above:
  - (i) Members 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 the Company's auditors;
- (f) to discuss problems and reservations arising from the interim reviews and final audits, and any matters the external auditor may wish to discuss (in the absence of any management of the Company where necessary);

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

- (g) to review the Company's financial controls, and unless expressly addressed by a separate committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- (h) 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. 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;
- (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) 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;
- (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 accounting records, financial accounts or systems of control and management's response;

- (m) to review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow up action;
- (n) to act as the key representative body for overseeing the Company's relations with the external auditor;
- (o) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (p) to establish, monitor and review the whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Committee about possible improprieties in any matter related to the Company;
- (q) to establish, monitor and review the anti-corruption policy and system;
- (r) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (s) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (t) to review the Company's compliance with the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules and disclosure in the Corporate Governance Report;
- (u) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and
- (v) to report to the Board on the matters set out in these terms of reference; and to consider other topics, as defined or assigned by the Board from time to time.

### **Reporting procedures**

22. Full minutes of Meetings should be kept by the Secretary. Such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
23. Minutes of Meetings should record in sufficient details the matters considered by the Committee and the decisions reached, including any concerns raised by any Member or other persons or any dissenting views expressed. Draft and final versions of minutes of Meetings shall be sent to all Members for their comment and records within a reasonable time after the Meeting.

24. Without prejudice to the generality of the duties of the Committee set out above, the Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on it to do so (such as a restriction on disclosure due to regulatory requirements).

### **Annual general meeting**

25. The chairman of the Committee or in his or her absence, another Member (who must be an independent non-executive Director) shall attend the Company's annual general meeting(s) and be prepared to respond to shareholders' questions on the Committee's activities and responsibilities.

### **Alternate Members**

26. A Member may not appoint any alternate.

### **Continuing application of the articles of association of the Company**

27. The articles of association of the Company regulating the meetings and proceedings of the Directors so far as the same are applicable and are not replaced by the provisions in these terms of reference shall apply to the Meetings and proceedings of the Committee.

### **Powers of the Board**

28. The Board may, subject to compliance with the articles of association of the Company and the Listing Rules (including the Corporate Governance Code), amend, supplement and revoke these terms of reference and any resolution passed by the Committee provided that no amendments to and revocation of these terms of reference and the resolutions passed by the Committee shall invalidate any prior act and resolution of the Committee which would have been valid if such terms of reference or resolution had not been amended or revoked.

### **Publication of the terms of reference**

29. These terms of reference shall be made available to any person without charge upon request and shall be posted on the website of the Company and on the website of the Stock Exchange.

*Note: If there is any inconsistency between the English and Chinese versions of these terms of reference, the English version shall prevail.*

*In these terms of reference, "senior management" refers to the same persons referred to in the Company's annual report and required to be disclosed under paragraph 12 of Appendix D2 to the Listing Rules.*