



**ANALOGUE HOLDINGS LIMITED**  
**安樂工程集團有限公司**  
*(Incorporated in Bermuda with limited liability)*  
(Stock Code: 1977)

**Audit Committee**  
**Terms of Reference**

## **Constitution**

1. An audit committee (the “**Audit Committee**”) was established pursuant to the resolutions passed by the board of directors (the “**Board**”, and each director, a “**Director**”) of Analogue Holdings Limited (the “**Company**”) on 14 September 2018.

## **Membership**

2. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive Directors and shall consist of not less than three members. A majority of the Audit Committee should be independent non-executive Directors and at least one of whom should be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Chapter 3 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
3. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of two years from the date of the person’s ceasing:
  - (a) to be a partner of the firm; or
  - (b) to have any financial interest in the firm,whichever is the later.
4. The chairman of the Audit Committee shall be appointed by the Board and should be an independent non-executive Director.
5. The term of office of a member of the Audit Committee shall be determined by the Board.
6. Each member of the Audit Committee shall disclose to the Audit Committee any personal financial interest (other than as a shareholder of the Company) in any matter to be decided by the Audit Committee.
7. A member of the Audit Committee must abstain from voting on any resolution of the Audit Committee in which he/she or any of his/her close associates (as defined in the Listing Rules) has a material interest and shall not be counted towards the quorum of such a meeting at which the relevant resolution is considered by the Audit Committee, subject to the exceptions set out in the bye-laws of the Company. Where a member shall abstain from voting on resolutions of the Audit Committee, he/she shall also refrain from participating in the discussions concerning such resolutions.

## **Frequency and proceedings of meetings**

8. Unless otherwise stated herein, the meetings of the Audit Committee are governed by the provisions regulating the meetings and proceedings of Directors in the Company’s bye-laws.
9. Meetings shall be held not less than twice a year. Meetings may be convened by any Member of the Audit Committee or by the Secretary of the Audit Committee at the request of a member of the Audit Committee.
10. Unless otherwise agreed by all members of the Audit Committee (either orally or in writing), regular meetings of the Audit Committee shall be called by, so far as practicable, at least 14 days’ notice, and any other meetings of the Audit Committee shall be called by at least 3 days’ notice. Irrespective of the length of notice being given, attendance of a member of the Audit Committee at a meeting constitutes a waiver of such notice unless such member attending the meeting attends for the

express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the meeting has not been properly convened.

11. Notice may be given orally or in writing or by telephone or by email or by facsimile or electronic transmission or other similar means or in such other manner as the Audit Committee may from time to time determine.
12. The quorum of an Audit Committee meeting shall be any two members of the Audit Committee.
13. Meeting can be held in person, by telephone, by video conference or by other communication facilities which permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.
14. Resolutions of the Audit Committee at any meetings shall be passed by a simple majority of votes of the Members present. Where the number of votes for and against a resolution is the same, the Chairman of the Audit Committee shall be entitled to cast an extra vote.
15. A resolution in writing signed by all Members of the Audit Committee shall be as valid and effective as if it had been passed at a meeting of the Audit Committee duly convened and held.
16. The chief financial officer, the head of internal audit of the Company and representatives of the external auditors shall normally attend meetings. At the invitation of the Audit Committee, other members of the Board and any other person(s) may be invited to attend all or part of any meeting. The Audit Committee may meet, in the absence of management, with the external auditors to discuss matters relating to its audit fees, any issues arising from the audit and any other matters as set out in these terms of reference.
17. Only members of the Audit Committee are entitled to vote at the meetings.
18. An agenda and any accompanying Committee papers should be sent in full to all members of the Audit Committee in a timely manner and at least three days before the proposed date of a meeting of the Audit Committee (or other agreed period).
19. The secretary of the Audit Committee shall be the Internal Audit Manager.

#### **Annual General Meeting**

20. The chairman of the Audit Committee shall attend the annual general meeting of the Company and be prepared to respond to any shareholder's questions on the Audit Committee's activities. If the chairman of the Audit Committee 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 shareholder's questions on the Audit Committee's activities.

#### **Authority**

21. The Audit Committee is authorised by the Board to discharge its duties within these terms of reference. The Audit Committee is authorised by the Board to review the effectiveness of the Company's and its subsidiaries' risk management and internal control systems, covering all material controls, including financial, operational and compliance controls. It is authorised to seek any information from directors and senior management of the Company in order to perform its duties.

22. The Company is obliged to supply the members of the Audit Committee with adequate information, in a timely manner, in order to enable the Audit Committee to make informed decisions. Where a member of the Audit Committee requires more information than information provided voluntarily by senior management, the Audit Committee should make additional necessary enquiries. The Audit Committee members shall have separate and independent access to the senior management.
23. The Audit Committee shall be provided with sufficient resources to perform its duties. The Audit Committee is authorised by the Board to obtain independent professional advice, where necessary, to perform its responsibilities, at the Company's expense. The Audit Committee shall be responsible for establishing the selection criteria for selecting external consultants to advise the Audit Committee in relation to the discharge of its duties, and for selecting, appointing and approving the terms of engagement for such external consultants.

## **Duties**

24. The duties of the Audit Committee shall include:

### Relationship with the Company's auditors

- (a) primarily responsible for making recommendations to the Board on the appointment, reappointment and/ or removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of the resignation or dismissal of that auditor;
- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) developing and implementing policy on the engagement of 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 Audit Committee should report to the Board, identifying and making recommendations on any matters requiring action or improvement;
- (d) discussing with the external auditor before the audit commences, the nature and scope of the audit;
- (e) acting as the key representative body for overseeing the Company's relationship with its external auditor;
- (f) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss;

### Review of financial information of the Company

- (g) monitoring the integrity of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports and before submission to the Board, the Audit 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;
- (h) in regard to (g) above:
- (i) liaising with the Board, senior management, chief financial officer of the Company and the Company's external auditors;
  - (ii) meeting, at least twice a year, with the Company's auditors; and
  - (iii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving 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 auditors;

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

- (i) reviewing the Company's financial controls, internal control and risk management systems;
- (j) discussing the risk management and internal control systems with the management and to ensure that the management has performed its duties 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;
- (k) considering the findings of major investigations on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to those findings;
- (l) reviewing the financial and accounting policies and practices of the Company and its subsidiaries;
- (m) reviewing the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and the management's response;
- (n) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (o) reporting to the Board on the matters set out in these terms of reference;
- (p) where an internal audit function exists, ensuring co-ordination between the internal and external auditors and further ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness:
  - the Audit Committee shall maintain close contact with the internal audit team of the Company and its subsidiaries to enable organized and effective oversight of the operations and financial conditions of the Company and its subsidiaries, as well as any other audit tasks;

- providing instructions and assistance to the internal audit team upon receipt of a report from the same regarding any audit conducted thereby which, in the opinion of the Audit Committee requires verification; and
  - where an audit support staff has provided instructions to the internal audit team or have received reports from the same, or under other similar circumstances, the Audit Committee shall formulate a system whereby such audit support staff shall report to the Audit Committee on the status and details of the relevant circumstances in a timely and appropriate manner.
- (q) establishing a whistle-blowing policy and other means that employees and those who deal with the Company can use, in confidence, to raise concerns about possible improprieties in any matters related to the Company and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

#### Oversight of the Company's corporate governance functions

- (r) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (s) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (t) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (u) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report of the Company prepared in accordance with Appendix 14 to the Listing Rules (the "**Corporate Governance Report**");
- (w) reviewing and monitoring the Company's compliance with the Company's whistle blowing policy; and
- (x) considering any other topics, as determined by the Board.

#### **Post Audit Review Activities**

25. In connection with or following the completion of its review of the external audit and internal audit, the Audit Committee or its chairman may in their discretion meet with the external auditors, internal auditors or financial controller to discuss any changes required in the audit plans for future periods and any other appropriate matters regarding the audit process.

#### **Failure to reach an agreement regarding external auditors**

26. Where the Board has taken a different view from the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall submit a statement to the Company explaining its recommendation and also the reason(s) why the Board has taken a different view, which statement will be disclosed by the Company in the Corporate Governance Report in accordance with Appendix 14 to the Listing Rules.

## **Reporting procedures**

27. Full minutes of the Audit Committee's meetings should be kept by the secretary of the Audit Committee. The minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
28. Minutes of meetings of the Audit Committee should record in sufficient detail the matters considered by the Audit Committee and decisions reached, including any concerns raised by the Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Audit Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
29. Without prejudice to the generality of the duties of the Audit Committee set out in these terms of reference, the Audit Committee shall report to the Board on its decisions and recommendations, unless there are legal or regulatory restrictions on doing so.

## **Provision of Terms of Reference**

30. The Audit Committee shall make available these terms of reference, explaining the role and the authority delegated to it by the Board by including them on the Stock Exchange's website and the Company's website.
31. The Audit Committee shall be responsible for approving all disclosure statements in relation to the Audit Committee, including but not limited to relevant disclosure statements in annual reports, interim reports and information uploaded on the Stock Exchange's website and the Company's website.

## **Review of Terms of Reference**

32. The Audit Committee shall review these terms of reference as it sees fit, and may consider and submit to the Board any proposed changes that the Audit Committee deems appropriate or advisable.

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

July 2019