

ALTUS
Altus Holdings Limited
浩德控股有限公司
(the “Company”)

(incorporated in the Cayman Islands with limited liability)
(Stock code: 8149)

Terms of Reference of the Audit Committee
(the “Committee”)
(Adopted by the Company on 13 August 2024)

Membership

1. The Committee shall consist of not less than three members appointed by the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company, all of whom shall be non-executive Directors and independent non-executive Directors and a majority of whom shall be independent non-executive Directors. In compliance with the requirement of Rule 5.05(2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), at least one of whom shall be independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.
2. The chairman of the Committee shall be appointed by the Board and must be an independent non-executive Director.
3. A former partner of the Company’s existing auditing firm should be prohibited from acting as a member of the Audit Committee for a period of 2 years commencing from the date of his ceasing (whichever is the later):
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm.

Frequency and proceedings of meetings

4. The Committee should meet at least four times per year. Additional meetings should be held as the work of the Committee demands.
5. In addition, the chairman of the Committee may convene additional meetings at his discretion.
6. The quorum for a meeting shall be two members of the Committee.

7. Proceedings of meetings of the Committee shall be governed by article 117 and article 118 of the articles of association of the Company or any other applicable regulations as may be considered appropriate and/or adopted by the Company from time to time.
8. The company secretary should be the secretary of the Audit Committee.

Authority

9. The Committee is granted the authority to investigate any activity within its terms of reference and all employees are directed to cooperate with the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to invite the attendance of outsiders with relevant experience and expertise if it considers this necessary.
10. The Committee shall report to the Board 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.
11. Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee will arrange for the Corporate Governance Report in the Annual Report of the Company to include an explanation of the Committee's view and the reasons why the Board has taken a different view.
12. The Committee is to be provided with sufficient resources to discharge its duties.

Responsibility

13. The Committee is to serve as a focal point for communication between other Directors, the external auditor and the internal auditor as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other matters as the Board determines from time to time.
14. The Committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting of the Company and its subsidiaries (the “**Group**”), unless expressly addressed by a separate board risk committee, or by the Board itself, and also a review of risk management and internal control systems of the Group, by satisfying themselves as to the effectiveness of the internal controls, and as to the adequacy of the external and internal audits.
15. The Committee, in conjunction with the environmental, social and governance (“ESG”) working group, is to assist the Board in overseeing climate-related and other ESG reporting and disclosures.

Duties, powers and functions

16. The Committee is to:

- (a) be 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;
- (b) review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and systems regarding risk management and internal controls (including financial, operational and compliance controls) and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;
- (c) review the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (d) before audit commencement, review external auditor's independence, objectivity, effectiveness of the audit process and the scope of the external audit, including the engagement letter. The Committee should understand the factors considered by the external auditor in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Committee for review and approval annually;
- (e) monitor integrity of the Group's financial statements and the annual report and accounts, interim report and, if prepared for publication, quarterly reports, and review significant financial reporting judgements contained in them prior to approval by the Board, with particular focus on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (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 requirements of the Stock Exchange and legal requirements;
- (f) with regard to (e) above:
 - (i) members of the Committee must liaise with the Board and management, and the Committee must meet, regularly, with the external auditor; and

- (ii) the 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 staff responsible for the accounting and financial reporting function, compliance officer or auditor;
- (g) review the draft representation letter prior to approval by the Board;
- (h) evaluate the cooperation received by the external auditor, including their access to all requested records, data and information; obtain the comments of management regarding the responsiveness of the external auditor to the Group's needs; enquire with the external auditor as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (i) seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- (j) discuss with the external auditor any recommendations arising from the audit (if necessary, in the absence of management); and review the draft management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control including management's response to the points raised;
- (k) ensure that the Board will provide a timely response to issues raised in the external auditor's management letter;
- (l) review and monitor the scope, effectiveness and results of internal audit function, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group;
- (m) 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;
- (n) discuss with management the scope and quality of systems of risk management and internal control and ensure that management has discharged its duties to have effective risk management and internal control systems including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget;

- (o) apprise the Board of significant developments in the course of performing the above duties;
- (p) recommend to the Board any appropriate extensions to, or changes, in the duties of the Committee;
- (q) review the findings of internal investigations and management's response into any suspected frauds or irregularities or failures of risk management and internal controls or infringements of laws, rules and regulations;
- (r) agree with the Board the Company's policy relating to the hiring of employees or former employees of the external auditor and to monitor the application of such policy. The Committee will consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of an audit;
- (s) review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and to conduct appropriate follow up actions;
- (t) act as the key representative body for overseeing the Company's relations with the external auditor;
- (u) review the draft ESG report and ensure its preparation is in compliance with listing requirements of the Stock Exchange before recommending it to the Board for approval;
- (v) report to the Board on the above matters; and
- (w) consider other topics, as requested by the Board.

Reporting procedures

17. The Committee should report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report to the Board on the findings and recommendations of the Committee. At least annually, the Committee should present a report to the Board which addresses the work and findings of the Committee during the year.