

# HORIZON CONSTRUCTION DEVELOPMENT LIMITED

## 宏信建設發展有限公司

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

**(Stock code: 9930)**

### **Terms of Reference of the Audit Committee of the Board**

#### **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** In order to comply with the codes and practices of corporate governance stipulated in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Stock Exchange”) (hereinafter referred to as the “Listing Rules”), further optimize the corporate governance structure of Horizon Construction Development Limited (hereinafter referred to as the “Company”), and enhance the decision-making function of the board of directors (hereinafter referred to as the “Board”), the Board of the Company has established the Audit Committee under the Board (hereinafter referred to as the “Committee”) pursuant to the articles of association of the Company by board resolution and formulated the Rules.

**Article 2** The Committee shall report to the Board and be accountable to the Board. The Committee is granted the authority by the Board and is mainly responsible for making formal and transparent arrangements to the Board as to how the principles of financial reporting, risk management and internal control are applied and how the proper relationship with the auditors of the Company can be maintained.

#### **CHAPTER 2 COMPOSITION, APPOINTMENT AND REMOVAL OF THE COMMITTEE**

**Article 3** The Committee shall be appointed by the Board amongst the non-executive directors of the Company and shall comprise no less than three members, of which the majority shall be independent non-executive directors. At least one member shall possess the appropriate professional qualifications or appropriate accounting or relevant financial management expertise.

**Article 4** The Committee shall have one chairman to be acted by an independent non-executive director upon election by the Board of the Company, responsible for presiding over the work of the Committee.

**Article 5** The members of the Committee shall have the same term of office as the directors. Upon expiry of their term, members may be re-elected. During which if members of the Committee no longer act as directors of the Company, they shall automatically lose their office as members of the Committee and the Board shall fill the vacancy in the Committee in accordance with the provisions under Article 3 to Article 4 above.

Any member of the Committee who fails to attend two consecutive committee meeting in person without appointing other members of the Committee to act on his behalf or notifying his absence in writing prior to the meeting, shall be deemed failure to perform duties of the member of the Committee. The Board may make changes to the composition of the Committee in accordance with the Rules.

The Committee may make changes to the members of the Committee in office upon the passing of resolution by the Board.

**Article 6** The Committee may establish a work group thereunder to draft and make recommendations on formulating the budget of the Company and audit standards, provide the relevant information of the Company and arrange expert consultation or attestation.

**Article 7** Any former partner of the audit firm currently responsible for auditing the accounts of the Company shall not act as member of the Committee of the Company within two years from the following dates (whichever is later):

- (i) the date he ceases to be the partner of such firm; or
- (ii) the date he ceases to enjoy the financial benefits of such firm.

**Article 8** In the event the Board disagrees with opinions of the Committee regarding the election, appointment, resignation or removal of external auditor, the Company shall make a statement in the Corporate Governance Report stating the suggestions explained by the Committee and the reasons for the dissenting opinions of the Board.

### **CHAPTER 3 TERMS OF REFERENCE**

**Article 9** The Committee is:

1. Relationship with the Company's auditor

- (i) to be primarily responsible for making recommendations 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 to handle any questions of its resignation or dismissal;
- (ii) 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. If more than one auditor is involved, the Committee should ensure they coordinate with each other;
- (iii) 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; and
- (iv) the Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed.

2. Review of the Company's financial information
  - (i) 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 judgments contained in them. In reviewing these statements and reports before submission to the Board, the Committee should focus particularly on:
    - (a) any changes in 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 legal requirements in relation to financial reporting;
  - (ii) Regarding (i) above:
    - (a) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
    - (b) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and 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 auditors.
3. The Company's financial reporting system, risk management and internal control systems
  - (i) to review the Company's financial controls, and unless expressly addressed by the Board itself, to review the Company's risk management and internal control systems;
  - (ii) to discuss the risk management and internal control systems with management 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;
  - (iii) 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;

- (iv) 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;
  - (v) to review the Group's operating, financial and accounting policies and practices, where the Group shall include the Company and its subsidiaries;
  - (vi) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and management's response;
  - (vii) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (viii) to report to the Board on the matters in the relevant code provision relating to the matters of the Committee in the Code on Corporate Governance Practices stated in the Listing Rules adopted by the Company from time to time; and
  - (ix) to consider other topics, as defined by the Board.
4. Review of the Company's annual budget and financial accounts and discussion on the rectification proposals; and review and analysis of budget execution report.
  5. Other matters required by laws, administrative regulations, statutes, relevant provisions of the securities regulatory authority of the locality where the shares of the Company are listed, and as may be authorized by the Board.
  6. Under the terms of reference, the Committee shall also:
    - (a) review the following arrangements of the Company: The employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, 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;
    - (b) act as the key representative body for overseeing the Company's relations with the external auditor;
    - (c) develop and review an issuer's policies and practices on corporate governance and make recommendations to the Board;
    - (d) review and monitor the training and continuous professional development of directors and senior management;
    - (e) review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
    - (f) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

- (g) review the issuer's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.
7. The Committee shall disclose its terms of reference on the website of the Stock Exchange and its website, explaining its role and the power delegated by the Board.

#### **CHAPTER 4 WORK PROCEDURES**

**Article 10** Minutes of the committee meeting summarized by the secretary duly appointed by the Committee for the meeting (usually the company secretary) shall be sent to all members of the Board after seeking written comments from members of the Committee in respect of the contents of the report, and shall be reported and approved at the forthcoming board meeting. Full minutes of meetings shall be kept by the secretary of the Committee.

**Article 11** The investor relations division of the Company should be responsible for preparing and providing the relevant information required for the committee meeting and organizing the relevant matters of the meeting.

#### **CHAPTER 5 RULES OF PROCEDURE**

**Article 12** The Committee shall convene no less than four meetings each year. Interim meetings may be called if members of the Committee consider necessary. The meeting shall be convened and chaired by the chairman. The chairman of the Committee failing to convene or preside over the meeting may appoint another member to convene or preside over the meeting on his behalf.

**Article 13** The investor relations division of the Company shall give at least 7 working days' notice to all members prior to the meeting of the Committee. Meetings of the Committee shall be held by more than one-half of the members attending the meeting. Each member shall have one voting right. Resolutions proposed at the meeting must be passed by more than one-half of all members of the Committee.

**Article 14** The Committee may invite directors, chief financial officer and other senior management of the Company and staff of the relevant departments of the Company to sit in on the meetings depending on the agenda of the meeting. Senior management shall refer to the same category of person mentioned in the annual report of the Company.

**Article 15** The Committee may appoint the company secretary or other person to act as secretary to the Committee to coordinate the specific affairs of the Committee.

**Article 16** The Committee may engage experts or intermediaries to provide professional advice for its decision-making if necessary and the expenses arising therefrom shall be borne by the Company upon approval from the Board.

**Article 17** In general, the committee meeting shall be convened in the form of physical meeting. In the event of contingencies, it may be convened in the form of written communication with the consent of the chairman of the Committee where members of the Committee are able to fully express their opinions. For meetings held in the form of written communication, members of the Committee should submit their written opinions regarding the matters discussed to the Board within the period required by the notice of meeting.

**Article 18** In the event a member of the Committee is interested in the matters discussed at the committee meeting, such member shall abstain from voting in respect thereof.

**Article 19** Members attending and persons who sit in on the meeting shall keep confidential of all matters discussed at the meeting. Unauthorized disclosure of the relevant information shall be prohibited. The above persons should strictly comply with the relevant requirements of the Company.

**Article 20** Expenses of the Committee refer to the expenses incurred in the course of duty of the Committee, which are mainly used for research, printing, meeting, training, invitation or engagement of intermediaries for their professional advice. Such expenses shall be borne by the Company and included in the budget of the Board.

**Article 21** The Committee shall be provided with sufficient resources to enable it to perform its functions.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 22** The Rules shall take effect and be valid from the date of passing of the resolution by the Board of the Company.

**Article 23** Any matters not mentioned herein or any conflicts with the new or amended laws, regulations or provisions of the articles of association arising upon the Rules take effect, shall be executed in accordance with the laws, regulations and provisions of the articles of association. The Rules shall be amended forthwith and proposed to the Board for consideration and approval.

**Article 24** The interpretation of the Rules shall be vested in the Board.

**Board of Directors of Horizon Construction Development Limited**  
April 2023