



NEW FOCUS AUTO TECH HOLDINGS LIMITED

新焦點汽車技術控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 360)

Audit Committee – Terms of Reference (Adopted on 31 March 2012 and amended on 28 March 2024)

This terms of reference of the Committee was last amended by the board of directors (the “**Board**”) of New Focus Auto Tech Holdings Limited (the “**Company**”) on 28 March 2024 and have incorporated the latest relevant amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in force as from 31 December 2023.

1. ORGANIZATION

The Board has resolved to establish an audit committee of the Board (the “**Committee**”).

2. OBJECTIVE

The Committee is to conduct independent review and supervision on the financial reporting system of the Company and its subsidiaries (the “**Group**”), to review the effectiveness of the Group’s risk management and internal control systems, the adequacy of external and internal audits, review and monitor the independence of the Company’s external auditor (the “**External Auditor**”) and the objectivity and effectiveness of the audit process, and to assist the Board in fulfilling its responsibilities. The Committee is accountable to the Board.

3. COMPOSITION

3.1 Member(s) of the Committee (the “**Member(s)**”) shall be appointed or removed by the Board from among the non-executive Directors of the Company. If any Member ceases to be a Director, he/she will cease to be a Member automatically. The vacancy will be filled by appointment of new Member by the Board. The Committee must comprise a minimum of three Members, at least one of them shall be 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 Listing Rules.

3.2 The majority of the Members shall be independent non-executive Directors (the “**Independent Non-executive Director(s)**”) of the Company.

* For identification purposes only

3.3 The chairman of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director.

3.4 A former partner of the Company's existing auditing firm should be prohibited from acting as a Member of the Committee for a period of 1 year from the date of his ceasing:

(a) to be a partner of the firm; or

(b) to have any financial interest in the firm.

4. SECRETARY

Save as otherwise appointed by the Committee, the Company Secretary shall act as the secretary of the Committee.

5. AUTHORITY

5.1 The Committee is authorized to conduct any investigation within its scope of powers, including but not limited to all accounts, books and records of the Company. The Committee shall have the powers to demand any information necessary from any employees of the Company, and all employees shall be instructed to cooperate with the Committee and satisfy any of its requests.

5.2 The Committee is authorized to seek external legal advice or other independent professional advice, and to invite externals who possess relevant experience and professional knowledge to offer assistance when it deems necessary. The Committee shall have full authority to approve all reasonable fees and terms of engagement in this regard.

5.3 The Committee should be provided with sufficient resources to perform its duties.

6. DUTIES

The duties of the Committee are as follows:

Relationship with the External Auditor

(a) 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 any questions of the External Auditor's 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 External Auditor the nature and scope of the audit and reporting obligations before the audit commences. Should there be more than one auditor firms participating, the Committee shall ensure the coordination between them;

- (c) to develop and implement policy on engaging the External Auditor to supply non-audit services. For this purpose, the 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 having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally. The Committee should report and make recommendations to the Board on any matters where action or improvement is needed;

Review of the Company's financial information

- (d) to monitor the 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 the statements and reports made in respect of the financial statements contained therein for the purpose of financial reporting and report to the Board on significant financial reporting opinions or any significant judgments contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - (i) financial reporting, accounting policies and practices as well as any subsequent change in these policies;
 - (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, other applicable rules and legal requirements in relation to financial reporting;
- (e) Regarding (d) above:
 - (i) Members should liaise with the Board and senior management of the Company and the Committee must meet, at least twice a year, with the External Auditor; 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 External Auditor;
- (f) to discuss with the External Auditor questions and doubts arising in audit of interim and annual accounts, and other matters that the External Auditor wish to discuss (may conduct in the absence of the Company's management if necessary);

- (g) to review the letter to the Company's management from the External Auditor and the response from the management of the Company;
- (h) if the Company's annual report includes statement about the Company's internal audit system, to review such statement prior to submission for the Board's approval;

Oversight of 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 a separate risk committee of the Board, or by the Board it self, to review the Company's risk management and internal control systems (including cyber risks) with particular regard to their effectiveness;
- (j) to discuss the risk management and internal control systems with the Company's management to ensure that management has performed its duty to have effective systems. This discussion should include:
 - (i) the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions;
 - (ii) the changes in the nature and extent of significant risks, and the Company's abilities in responding to changes in its business and the external environment;
 - (iii) the scope and quality of the management's ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function;
 - (iv) the extent and frequency of communication of monitoring results to the Board which enables it to assess the monitoring and the effectiveness of risk management of the Company; and
 - (v) significant control failings occurred or significant control weaknesses identified and also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the financial performance or condition of the Company;
- (k) 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;
- (l) where an internal audit function exists in the Company, to review the internal audit plan, to ensure co-ordination between the Company's internal and External Auditors, and to ensure that the Company's internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

- (m) to review the financial and accounting policies and practices of the Group;
- (n) to review the External Auditor's management letter, any material queries raised by the External Auditor to the Company's management about accounting records, financial accounts or systems of control and management's response;
- (o) to ensure that the Board will provide a timely response to the issues raised in the External Auditor's management letter;
- (p) to report to the Board on the matters in this terms of reference; and
- (q) to consider other topics, as defined by the Board;

Others

- (r) to review arrangements employees of the Company 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 action; and
- (s) to act as the key representative body for overseeing the Company's relations with the External Auditor, and to review and monitor their effectiveness.

7. MEETING OF THE COMMITTEE

7.1 Number of meeting

There shall be at least two meetings of the Committee annually to be convened and held by attending in person, telephone or video conference. Where necessary, an extraordinary meeting may be convened. Any Member or the External Auditor may demand meeting to be convened if required.

7.2 Notice of meeting

Unless waived by all Members on notice, the secretary of the Committee shall give seven days prior notice to the Members in writing for any meeting to be convened and circulate the meeting agenda to the Members, and shall give one day prior notice for any extraordinary meeting to be convened.

7.3 Quorum

Meetings of the Committee shall be attended by more than one-half of the Members to be effective.

7.4 Conducting the meetings

Meetings should be convened by attending in person, telephone or video conference. Members could attend the meetings through telephone conference or similar arrangement which Members could communicate to each other. With consent by all Members, resolutions of the Committee could be passed by written resolutions.

7.5 Resolutions

Any resolution shall be passed by the majority votes of the Members who attend the meeting.

7.6 Invitations

The Committee could invite any executive Directors, external advisers or other individuals to attend the meeting but such executive Directors, advisers or individuals are not entitled to vote at the meetings.

7.7 Minutes of the meetings

Full minutes of meetings should be kept by the secretary of the Committee. Minutes shall record matters considered and decisions reached by the Members in details, including any doubt or disagreement raised by the Members. Draft and final versions of the minutes of the meetings should be sent to all Members for their comment and records, within a reasonable time after the meetings. The final version of the minutes, once has been finalized, shall be submitted by the secretary of the Committee to the Board for record.

8. GENERAL MEETING

Chairman of the Committee or his/her nominee shall participate in the annual general meeting and respond to possible questions raised by the shareholders regarding policy, work and duties of the Committee. Unless authorized by the Board, the attending Member shall have obligation to keep all matters of the meeting confidential and shall not disclose the relevant information.

9. REPORT

The secretary of the Committee shall circulate the minutes of the Committee meetings and report of the Committee to all members of the Board. Chairman of the Committee or his/her nominee who chair the meetings shall report to the Board after each meeting of the Committee.