



HANS ENERGY COMPANY LIMITED

漢思能源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 554)

Audit Committee: Terms of Reference

1. GENERAL

1.1 Introduction

The board (the “**Board**”) of directors (the “**Director(s)**”) of Hans Energy Company Limited (the “**Company**”) has established an Audit Committee (the “**Committee**”). These Terms of Reference of the Committee (“**Terms of Reference**”) was adopted by the Board to govern the operations of the Committee.

1.2 Membership

- (i) The Committee shall be appointed by the Board from amongst the non-executive Directors of the Company and shall comprise a minimum of three members, at least one of whom is an independent non-executive Director of the Company (“**INEDs**”) 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 of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). The majority of the Committee members must be INEDs.
- (ii) The chairman of the Committee shall be appointed by the Board and should be an INED.
- (iii) A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Committee for a period of two years from (a) the date of his/her ceasing to be a partner of the firm; or (b) the date of his/her ceasing to have any financial interest in the firm, whichever is later.

- (iv) Each Committee member shall disclose to the Committee:
 - (a) any personal financial interest (other than as a shareholder of the Company) in any matter to be decided by the Committee; or
 - (b) any potential conflict of interest arising from a cross-directorship.

Any such Committee member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions.

- (v) Save as otherwise appointed by the Committee, the secretary to the Committee shall be the company secretary of the Company (the “**Company Secretary**”), who will keep full minutes of the Committee meetings. In the absence of the Company Secretary, any member of the Committee or any such other person as may from time to time be nominated by the Company Secretary, subject to the approval of the Committee, shall act as the committee secretary.
- (vi) The appointment of the Committee members may be revoked, or additional members may be appointed to the Committee by separate resolutions passed by the Board. For the avoidance of doubts, the members may be removed from the Committee by the Board at its sole and absolute discretion.
- (vii) The composition of the Committee shall comply with the requirements of the Listing Rules as amended from time to time.

2. MEETINGS

- 2.1 Unless otherwise agreed by all Committee members, a meeting shall be convened by at least seven days’ notice. If a Committee meeting is called by a shorter notice, it shall be deemed to have been duly called if it is so agreed by a majority of the Committee members, and a Committee member who attends such a meeting shall be deemed to agree to the shorter notice.
- 2.2 Notice of meeting may be given either orally or in writing by way of telephone, facsimile or other electronic means.
- 2.3 Unless otherwise agreed, notice of meeting shall specify the venue, time and date of the Committee meeting and shall be accompanied by an agenda together with other documents which may be required to be considered by the Committee members for the purposes of the meeting. Such agenda and other documents shall be provided to the Committee members in a timely manner and at least three days before the meeting.

- 2.4 The quorum of a meeting shall be two members of the Committee and one of them must be an INED.
- 2.5 The chairman (or in his/her absence, a member designated by the chairman) shall preside at all meetings of the Committee. The chairman shall be responsible for leading the Committee, including scheduling meetings, preparing agendas and making regular reports to the Board.
- 2.6 The Committee could invite any executive Directors, external advisers or other individuals to attend the meetings but such executive Directors, advisers or individuals are not entitled to vote at the meetings.
- 2.7 Resolutions of the Committee at any meetings shall be passed by a majority of votes.
- 2.8 The Committee shall meet as frequently as required but at least two times a year, and the external auditors must attend at least twice a year, or at such frequency as required under the Listing Rules or other regulatory requirements applicable to the Company from time to time.
- 2.9 Meetings could be held in person, by telephone or by video conference.
- 2.10 The Committee shall meet with external auditors without the presence of executive Directors at least once a year.
- 2.11 A meeting of the Committee may be convened by the Committee or its chairman or the secretary of the Committee at the request of any member thereof.
- 2.12 The external auditors may request a meeting if they consider to be necessary.
- 2.13 The Committee shall report its actions to the Board.

3. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall include, without limitation:

Relationship with the Company's auditors

- 3.1 to be primarily 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;
- 3.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 3.3 to develop and implement policy on engaging an external auditor to supply non-audit services. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- 3.4 to act as the key representative body for overseeing the Company's relations with the external auditors;

Review of the Company's financial information

- 3.5 to monitor integrity of all financial statements and annual report and accounts for publication, and to review significant financial reporting judgments 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.

3.6 Regarding 3.5 above:

- (i) 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 external auditor; and
- (ii) the Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports 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 auditors.

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

- 3.7 to review the Company's financial controls, and unless expressly addressed by a separated Board Risk Committee, or by the Board itself, to review the risk management and internal control systems;
- 3.8 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems, with regards to the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- 3.9 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;
- 3.10 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;
- 3.11 to review the group's financial and accounting policies and practices;
- 3.12 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 risk management and internal controls and management's response;
- 3.13 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

- 3.14 to review and approve the Company's assessment of the corruption risks to which it is subject and the framework of controls put in place to mitigate those risks, including but not limited to the Group's policies on anti-bribery and anti-corruption, and risk management;
- 3.15 to formulate, monitor and oversee compliance with the anti-bribery, anti-corruption and whistle-blowing policies and systems of the Company (including reviewing such policies to ensure they remain effective and adequate for the purpose of the applicable laws and regulations and making recommendations to the Board for any amendments to the policies where necessary) so that the employees and other persons (e.g. customers and suppliers) who have connections with the Company can, in confidence, report to the Committee concerns about any improprieties in financial reporting, risk management and internal control or other matters; and to review such arrangements. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 3.16 to review the Company's findings of internal investigations and management's response into any suspected frauds or irregularities or failures of internal controls or infringements of laws, rules and regulations;
- 3.17 to review continuing connected transactions of the Company and ensure compliance with terms approved by shareholders of the Company;
- 3.18 to report to the Board on the matters in the code provisions of Corporate Governance Code contained in Appendix 14 of the Listing Rules (as amended from time to time);
- 3.19 To periodically review and reassess the adequacy of these Terms of Reference and to recommend any proposed changes in circumstances and changes in regulatory requirements, including those under the Listing Rules to the Board for approval; and
- 3.20 to consider other topics, as defined by the Board from time to time.

4. MINUTES

- 4.1 Minutes of the Committee meetings should be kept by the Company Secretary and should be open for inspection at any reasonable time on reasonable notice by any Director.
- 4.2. Minutes of Committee meetings shall record in sufficient detail the matters considered by the Committee members and decisions reached, including any concerns raised by the Committee members and dissenting views expressed. Draft and final versions of minutes of the Committee meeting shall be sent to all members of the Committee for their comment and records respectively, in both cases within a reasonable time after the meeting.

5. REPORTING PROCEDURES

- 5.1 The Committee shall report to the Board the findings and recommendations after each meeting of the Committee, unless there are legal or regulatory restrictions on its ability to do so.
- 5.2 The Committee shall ensure that the Board as a whole and Directors individually have proper access to reports and other materials related to the Committee's work. It shall also ensure that such materials are of a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, and that Directors will receive a prompt a full response to their enquiries.
- 5.3 The secretary of the Committee shall circulate all minutes of the meetings and written resolutions of the Committee to all members of the Board upon request.

6. ANNUAL GENERAL MEETING

The Chairman or in his/her absence, another Committee member or failing this, the duly appointed delegate of the Chairman, shall attend the Company's annual general meeting to answer shareholders' questions on the Committee activities.

7. POWERS OF THE BOARD

The Board may, subject to compliance with the articles and association of the Company and the Listing Rules, amend, supplement and revoke these Terms of Reference.

The power to interpret these Terms of Reference shall vest in the Board.

8. COMMITTEE PERFORMANCE

The Board will from time to time evaluate the performance of the Committee to determine whether it is functioning effectively by reference to current best practice.

9. AUTHORITY

- 9.1 The Committee is authorised by the Board to investigate, and to report to the Board, any matters within these Terms of Reference. It is authorised to inspect all accounts, books and records of the Company and to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee;
- 9.2 The Committee is authorized by the Board where necessary to obtain external legal or other independent professional advice at the Company's expense; and to secure the attendance of outsiders with relevant experience and expertise in the Committee meetings if it considers this necessary;
- 9.3 The Committee shall be provided with sufficient resources to perform its duties; and
- 9.4 Where the Board disagrees with the Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Committee has right to 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.

10. AVAILABILITY OF THIS TERMS OF REFERENCE

The Committee should make available these Terms of Reference to the public, explaining its role and the authority delegated to it by the Board, by including them on the Stock Exchange's website and the Company's website.

Fourth amended on 20 October 2022

In case of any discrepancies or inconsistency between the English version and Chinese version, the English version prevails.