



雲工場科技控股有限公司

**Cloud Factory Technology Holdings Limited**

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

(Stock Code: 2512)

**THE AUDIT COMMITTEE  
TERMS OF REFERENCE**

**Constitution**

1. The board (the “**Board**”) of directors (collectively, the “**Directors**” and individually, a “**Director**”) of Cloud Factory Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has established an audit committee (the “**Audit Committee**”) with authority, responsibility, and specific duties as described below.

**Members**

2. The Audit Committee shall be established by the Board and shall comprise a minimum of three (3) members.
3. The Audit Committee shall comprise non-executive Directors only. The majority of the Audit Committee members shall be independent non-executive Directors (“**INED(s)**”) and at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).
4. The chairperson of the Audit Committee shall be appointed by the Board and shall be an INED.
5. A former partner of the existing auditing firm of the Company shall not act as a member of the Audit Committee for a period of two years from the date of his/her ceasing (i) to be a partner of such firm; or (ii) to have any financial interest in the firm, whichever is later.
6. The terms of appointment of the Audit Committee members should be determined by the Board at the appointment date and shall not exceed the member’s tenure as a Director.

## **Secretary**

7. The company secretary of the Company shall act as the secretary of the Audit Committee.
8. The Audit Committee may from time to time, appoint any other person with appropriate qualification and experience to act the secretary of the Audit Committee.

## **Frequency and proceedings of meetings**

9. The Audit Committee shall meet at least twice a year to review and discuss the annual and interim financial statements of the Company. Additional meetings should be held as and when necessary.
10. The chief financial officer of the Company, and a representative of the Company's external auditor shall normally attend meetings. However, at least once a year the Audit Committee shall meet with the external auditor without the executive Directors present.
11. The quorum for a meeting shall be any two (2) members of the Audit Committee, at least one of whom must be an INED.
12. The meetings and proceedings shall be governed by the relevant provisions of the articles of association of the Company (as amended from time to time).
13. Meetings of the Audit Committee may be held either in person or through electronic means of communication or in such other manner as the members may agree.
14. Resolutions of the Audit Committee should be passed, in the case of a meeting, by a majority of votes of the members of the Audit Committee attending such meeting. The chairperson of the Audit Committee shall have a second or casting vote when an equality of votes occurs.
15. A resolution in writing passed and signed by all members of the Audit Committee shall be valid, and the validity is the same as any resolution passed in the meeting held.
16. Members must abstain from voting in respect of any resolution which he/she is an interested party.

17. Full minutes of the Audit Committee meeting should be kept by the company secretary or the duly appointed secretary of the Audit Committee and be available for review by the Directors. Draft and final versions of minutes of the meetings should be sent to all members of the Audit Committee for their comment and records, within a reasonable time after the meeting.

### **Notice of meetings**

18. A meeting of the Audit Committee may be convened by any of its members or the secretary of the Audit Committee.
19. Unless otherwise agreed by the members of the Audit Committee, notice of at least fourteen (14) days shall be given for a regular meeting of the Audit Committee, unless such notification is waived by all members of the Audit Committee. For all other meetings of the Audit Committee, reasonable notice shall be given.
20. Agenda and accompanying meeting papers should be sent in full to all Directors in a timely manner and at least three (3) days before the intended date of a meeting of the Audit Committee (or other agreed period).

### **Authority**

21. The Audit Committee is authorised by the Board to investigate into any activity within its terms of reference. It is authorised to inspect all accounts, reports and records of the Company. In addition, it is authorised to seek any relevant information it requires from the management of the Company or any employee and all employees are directed to co-operate with any request made by the Audit Committee.
22. The Audit Committee shall be provided with sufficient resources to perform its duties and seek independent professional advice in appropriate circumstances at the Company's expense to perform its duties.

### **Responsibility**

23. The Audit Committee was established to assist the Board to provide an independent review of the effectiveness of the financial reporting process, risk management and internal control systems of the Group, to oversee audit process, to oversee the environmental, social and governance (“ESG”) matters and to perform other duties and responsibilities as assigned by the Board.

## **Duties and functions**

24. The duties and functions of the Audit Committee include:

### ***Relationship with the Company's external auditors***

- (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 its 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 Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) 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.
- (d) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

### ***Review of the Company's financial information and ESG related disclosures***

- (e) to monitor integrity of the Company's financial statements and annual reports, ESG Reports, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports 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;
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and

- (vii) compliance with the Listing Rules in relation to ESG disclosure requirements;
- (f) regarding (e) above:
  - (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditor; and
  - (ii) the Audit 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 auditors;

***Oversight of the Company's financial reporting system, risk management and internal control systems (including ESG risks)***

- (g) to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;
- (h) 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 programs and budget of the Company's accounting and financial reporting functions;
- (i) 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;
- (j) 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;
- (k) to evaluate and determine ESG-related risks and opportunities at least once annually, and ensuring that appropriate and effective ESG risk management and internal control systems are in place;
- (l) to review the Group's ESG performance against ESG-related goals and targets;
- (m) to report the ESG findings and recommendations to the Board;

- (n) to review ESG management approach, strategy, priorities and objectives;
  - (o) to review the Group's financial, accounting and ESG policies and practices;
  - (p) to review the external auditor's management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;
  - (q) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
  - (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 Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
  - (s) to act as the key representative body for overseeing the Company's relations with the external auditor;
  - (t) to establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company;
  - (u) to report to the Board on the matters included under the heading "Audit Committee" in Appendix C1 and the matters set out herein; and
  - (v) to consider any other topics as defined by the Board from time to time.
25. Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor, the Company should include in the Corporate Governance Report a statement from the Audit Committee explaining its recommendation and also the reason(s) why the Board has taken a different view.

## **Reporting**

26. The Audit Committee shall report to the Board after each of its meetings.

## **Annual general meetings**

27. The chairperson of the Audit Committee (or in his/her absence, the other member of the Audit Committee which must be an INED) shall attend the Company's annual general meetings and be prepared to respond to any shareholders' questions on the Audit Committee's activities and responsibilities.

**Amendment**

28. Subject to the compliance with the articles of association of the Company and the Listing Rules, any amendment to the terms of reference shall be authorised by the Board.

**Publication**

29. The Audit Committee shall make available these terms of reference, explaining its roles and the authority to it by the Board by publishing them on the websites of the Stock Exchange and the Company.

If there is any inconsistency between the English and Chinese version of these terms of reference, the English version shall prevail.

June 2024