

BRAINHOLE
TECHNOLOGY
BRAINHOLE TECHNOLOGY LIMITED
脑洞科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2203)

TERMS OF REFERENCE OF AUDIT COMMITTEE

PURPOSE

1. The purpose of the audit committee (“**Audit Committee**”) is to assist the board of directors (the “**Board**”) of Brainhole Technology Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in considering how the Board should apply financial reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company’s auditors.

COMPOSITION

2. The Audit Committee shall comprise a minimum of three members consisting of non-executive directors only and a majority of which must be independent non-executive directors of the Company. The Audit Committee must comprise of at least one independent non-executive director who has appropriate professional qualifications or accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) (as amended from time to time). The chairman of the Board shall not be a member of the Audit Committee.
3. The chairman of the Audit Committee shall be appointed by the Board and must be an independent non-executive director.

MEETINGS

4. Unless otherwise specified hereunder, the provisions contained in the Company’s articles of association (the “**Articles**”) (as amended from time to time) for regulating meetings and proceedings of directors shall apply to the meetings and proceedings of the Audit Committee.
5. Members of the Audit Committee may attend meetings of the Audit Committee either in person or through other electronic means of communication or in such other manner as the members may agree.

6. Members of the Audit Committee may be represented at a meeting of the Audit Committee by an alternate appointed by them.
7. Each member shall have one vote. Subject to the Articles, questions arising at any meeting of the Audit Committee shall be decided by a majority of votes, and in case of an equality of votes, the Chairman shall have a second or casting vote.
8. Without prejudice to any requirement under the Listing Rules, a resolution in writing signed by all the members of the Audit Committee (or their respective alternate) shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.
9. Only members of the Audit Committee shall have the right to attend Audit Committee meetings. However, other individuals of the Company such as the financial director of the Company, the head of internal auditor and the representative of the external auditors may be invited to attend all or part of any meeting as and when appropriate. Other Board members shall also have the right of attendance. However, at least once a year the Audit Committee shall meet with the external and internal auditors without executive Board members present.
10. The company secretary of the Company (the “**Company Secretary**”) or his/her nominee shall be the secretary of the Audit Committee.
11. A quorum necessary for decision of the Audit Committee shall be two members. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.
12. The Audit Committee shall meet at least twice annually or more frequently if circumstances require. The Board, any Audit Committee member and the external auditors may request a meeting if they consider that one is necessary.

REPORTING PROCEDURES

13. Full minutes of the Audit Committee meetings should be kept by the Company Secretary. Draft and final versions of minutes of the meetings should be sent to all members of the Audit Committee for their comment and records as soon as practicable after the conclusion of any meeting of the Audit Committee.

AUTHORITY

14. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Audit Committee. The Board shall provide the Audit Committee with sufficient resources to perform its duties.
15. The Audit Committee is authorised by the Board to obtain external legal or other independent professional advice on any matter within its terms of reference and to secure the attendance of third parties with relevant experience and expertise at meetings of the Audit Committee at the expense of the Company if necessary.

DUTIES

16. The duties of the Audit Committee shall include the following:–

Relationship with the Company's 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 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, an "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 Audit Committee should report to the Board, identifying and making recommendations 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-yearly 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 the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (e) regarding (d) 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 auditors; 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 Company's accounting and financial reporting function, compliance officer (if any) or auditors;

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

- (f) to review the Company's financial controls, and unless expressly addressed by a separate board risk committee or by the Board itself, to review the Group's risk management and internal control systems;

- (g) to discuss the risk management and internal control system with management to ensure that management has performed its duty by having effective system. 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;
- (h) 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;
- (i) 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 the appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the Group's financial and accounting policies and practices;
- (k) 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 control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised by external auditors in their management letter;
- (m) to report to the Board on the matters set out in the foregoing;
- (n) to consider such other matters as the Board may from time to time determine.

Relationship with the employees and those who deal with the Company

- (o) to review arrangements employees of the Company can use, in a confidential manner, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and
- (p) to act as the key representative body for overseeing the Company's relation with its external auditor.

Adopted by the Board on 31 March 2023.