



XXF GROUP HOLDINGS LIMITED

喜相逢集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2473)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

CONSTITUTION

1. The audit committee (the “**Committee**”) of XXF Group Holdings Limited (the “**Company**”) was established pursuant to a resolution passed by the board of directors of the Company (the “**Board**”) on 9 October 2023. These terms of reference of the Committee were adopted by the Board on 9 October 2023 and were last revised by the Board on 26 March 2024.

MEMBERSHIP

2. The chairman and members of the Committee shall be appointed by the Board. The Committee shall consist of a minimum of three members, at least one of whom is an independent non-executive director of the Company with 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**”). All Committee members shall be non-executive directors of the Company and the majority of the Committee members must be independent non-executive directors of the Company.
3. A former partner of the Company’s existing auditing firm is prohibited from acting as a member of the Committee for a period of two years from the date of the person ceasing (i) to be a partner of the firm; or (ii) to have any financial interest in the firm, whichever is later.
4. The Committee must be chaired by a Committee member who is an independent non-executive director of the Company.
5. If a member resigns, ceases to be a director of the Company or for any other reason ceases to be a member of the Committee resulting in a reduction of the number of members below the minimum, the Board shall, within three months of that event, appoint such number of new members as may be required to make up the minimum.

COMMITTEE SECRETARY

6. The company secretary of the Company or his/her delegate shall act as the secretary of the Committee.

QUORUM AND VOTING

7. The quorum of the Committee's meeting shall be two Committee members, at least one of whom shall be an independent non-executive director of the Company. Questions arising at any Committee's meeting shall be decided by a majority of votes. In the case of equality of votes, the chairman of the meeting shall have an additional or casting vote.

ATTENDANCE AT MEETINGS

8. A representative at managerial level or above from the Finance Department of the Company and a representative of the external auditor of the Company (the "**Auditor**") shall normally attend the Committee's meetings. However, the Committee may invite the Board members and/or other person(s) to attend part or whole of its meetings as necessary to assist it to discharge its duties.

FREQUENCY OF MEETINGS

9. Meetings of the Committee shall be held not less than twice a year. The Auditor may request a meeting if they consider that one is necessary.

NOTICES OF MEETINGS

10. All meetings of the Committee will be called by the secretary or the chairman of the Committee or any person(s) as instructed by the chairman of the Committee, or at the request of the Board.
11. Unless otherwise agreed by all members of the Committee, notices of at least seven days shall be given to all members of the Committee for meetings of the Committee.
12. Agenda and any meeting papers shall be forwarded to each member of the Committee and any other person invited to attend at least three days prior to the date of the meeting (or such other period as the members may agree).

PROCEDURES OF MEETINGS AND RESOLUTIONS

13. Unless otherwise stated herein, the meetings are governed by the provisions contained in the articles of association of the Company (the “**Articles**”) for regulating the meetings and proceedings of directors of the Company.
14. Meetings of the Committee may be held either in person or through electronic means of communication or in such other manner as the members may agree.
15. The minutes of meetings of the Committee shall be kept by the secretary of the Committee. Minutes of meetings of the Committee shall record in sufficient detail of the matters considered and decisions reached, including any concerns raised by directors of the Company or dissenting views expressed. Such minutes of meetings of the Committee shall be kept by a duly appointed secretary of the meeting and open for inspection at any reasonable time on reasonable notice by any director of the Company. Any such minutes of any meeting, if purporting to be signed by the chairman of such meeting or by the chairman of the next succeeding meeting of the Committee, shall be sufficient evidence without any further proof of the facts therein stated.
16. The draft and final versions of each minutes of the Committee’s meeting shall be sent to all Committee members for their comments and records within a reasonable period of time after the meeting was held.
17. A resolution in writing signed by all Committee members shall be as valid and effectual as if it had been passed at a meeting of the Committee and may consist of several documents in like form each signed by one or more of the Committee members.

AUTHORITY

18. The authorities of the Committee shall include such authorities set out in the relevant code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) as contained in Appendix C1 to the Listing Rules (as amended from time to time).
19. The Committee is authorised by the Board:
 - (a) to investigate any activity within its terms of reference; and
 - (b) to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.

20. The Committee is authorised by the Board to obtain any external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary at the Company's expenses.
21. The Committee is to be provided with sufficient resources to perform its duties.

DUTIES

22. The duties and functions of the Committee shall include such duties and functions set out in the relevant code provisions of the Corporate Governance Code. Without prejudice to the foregoing, the duties of the Committee shall be:

Relationship with the Auditor of the Company

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the Auditor, and to approve the remuneration and terms of engagement of the Auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the 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;
- (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. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (d) to discuss problems and reservations arising from the interim and final audits, and any matters the Auditor may wish to discuss;
- (e) where the Board has taken a different view from the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors, the Audit Committee shall submit a statement to the Company explaining its recommendation, which statement will be disclosed by the Company in the corporate governance report in accordance with the Listing Rules;

Review of financial information of the Company

- (f) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and quarterly reports (if applicable), and to review any 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;

Regarding (f) above:

- (i) Committee members should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the 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 Auditor;

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

- (g) to review the Company's financial controls and 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 programmes and budget of the Company's accounting and financial reporting function;

- (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) to ensure co-ordination between the internal auditors and the Auditor, 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 review the financial and accounting policies and practices of the Company and its subsidiaries;
- (l) to review the 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;
- (m) to ensure the Board will provide a timely response to the issues raised in the Auditor's management letter;
- (n) to report to the Board on the matters set out herein;
- (o) to establish a whistle-blowing policy and system for employees of the Company and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company;
- (p) to act as the key representative body for overseeing the Company's relations with the Auditor;
- (q) 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 follow-up action; and
- (r) to consider other topics, as defined by the Board from time to time.

REPORTING PROCEDURES

23. The chairman of the Committee shall report formally to the Board on the Committee's proceedings after each meeting on its findings, decisions and/or recommendations within its duties and responsibilities, unless there are legal or regulatory restrictions on it to do so. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings, decisions and/or recommendations of the Committee to the Board. The secretary of the Committee shall also circulate the minutes of meetings, reports and/or written resolutions (if any) of the Committee to all members of the Board.

CORPORATE GOVERNANCE REPORT

24. The work of the Committee during each financial year shall be summarized in the corporate governance report which constitutes part of the annual report.

ANNUAL GENERAL MEETING

25. The chairman of the Committee or in his/her absence, another member of the Committee or failing this, his/her duly appointed delegate, shall attend the annual general meeting of the Company and be prepared to answer questions at the annual general meeting on the Committee's work and its responsibilities.

AMENDMENT

26. Subject to the compliance with the Articles and the Listing Rules, any amendment to these terms of reference shall be authorised by the Board.

PUBLICATION

27. The Committee shall make available these terms of reference by publishing them on the websites of The Stock Exchange of Hong Kong Limited and the Company.

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