



CALB Group Co., Ltd.

中創新航科技集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3931)

AUDIT COMMITTEE — TERMS OF REFERENCE

The board of directors (the **“Board”**) of CALB Group Co., Ltd (the **“Company”**), together with its subsidiaries, the **“Group”**) has established a committee of the Board known as the Audit Committee (the **“Committee”**) with its constitution and particular duties set out below:

1. MEMBERSHIP

- 1.1. The Committee shall be appointed by the Board and should comprise a minimum of three members (the **“Members”**).
- 1.2. The Members shall be appointed from amongst the non-executive directors of the Company. The majority of Members should be independent non-executive directors of the Company, at least one of whom is an independent non-executive director with professional qualifications or accounting or related financial management expertise.
- 1.3. The Board shall appoint the chairman of the Committee. The chairman must be an independent non-executive director.
- 1.4. A former partner of the Company's existing auditing firm shall not act as a Member of the Committee until two years after the commencement of the later of the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.
- 1.5. The term of each Member of the Committee shall be determined by the Board upon appointment.

2. SECRETARY OF THE COMMITTEE

- 2.1. The company secretary of the Company (or any one of the joint company secretaries of the Company as may be designated by the Board, where applicable) shall be the secretary of the Committee.
- 2.2. The Committee may from time to time appoint any other person with appropriate qualifications and experience to act as the secretary of the Committee.

3. MEETINGS

- 3.1. Meetings of the Committee shall be held not less than two times a year. The external auditors may make requests to the chairman of the Committee to convene a meeting of the Committee. The meeting is chaired by the chairman of the Committee. If the chairman of the Committee is unable to attend the meeting, he may entrust other Committee Members to chair the meeting.
- 3.2. Unless otherwise agreed or waived, notice of each meeting confirming the venue, time and date shall be sent to each Member of the Committee, and to any other person required to attend in relation to all meetings of the Committee, at least 5 days before the date of the meeting; and in relation to continued meetings held within 5 days, no prior notice is required. Notwithstanding the notification period, the attendance of a Member at the meeting would be treated as waiver of the required notification requirement.
- 3.3. The quorum of the Committee meetings shall be two Members, one of whom should be an independent non-executive director.
- 3.4. The Members may attend meetings either in person, by telephone or through other electronic means of communication (which are available to all attending parties).
- 3.5. Each Member of the Committee is entitled to one vote. Resolutions of the Committee shall be passed, in the case of a meeting, with a simple majority of votes.
- 3.6. Resolutions signed by all Members of the Committee will be treated as valid as if they were passed in the meeting of the Committee.
- 3.7. Complete minutes of the Committee meetings shall be kept by the secretary of the Committee and shall be available for inspection by any Member of the Committee and/or any director of the Company at any reasonable time on reasonable notice. Draft and final versions of minutes of the meetings shall be sent to all Members for their comments and records within a reasonable time after the meeting. Once they are agreed, the secretary of the Committee shall circulate the minutes and reports of the Committee to all members of the Board.

4. ATTENDANCE OF MEETINGS

- 4.1. The Committee shall attend meetings at least twice a year with the external auditors without executive Board members present (except those invited by the Committee).
- 4.2. Upon invitation by the Committee, the following persons may attend all or any of the meetings: (a) the financial controller; and (b) other Board members.
- 4.3. Only the Members shall have the voting powers.

5. DUTIES AND RESPONSIBILITIES

The Committee is to serve as a focal point for communication between other directors, the external auditors, and the management as their duties relate to financial and other reporting, internal controls and the audits; and to assist the Board in fulfilling its responsibilities by providing an independent review of financial reporting, be satisfying themselves as to the effectiveness of the company's internal controls and as to the efficiency of the audits.

Relationship with the external auditor

- 5.1. 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;
- 5.2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- 5.3. to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- 5.4. to develop and implement a 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;
- 5.5. 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

- 5.6. to monitor the integrity of financial statements of the Company and the Company's annual report and accounts and half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained therein. In reviewing these reports before submission to the Board, focusing particularly on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) going concern assumptions and any qualifications;

- (e) compliance with accounting standards; and
- (f) compliance with the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and legal requirements in relation to financial reporting;

5.7. in regard to the duties under paragraph 5.6 above,

- (a) the Members should liaise with the Board and senior management of the Company;
- (b) the Committee must meet, at least twice a year, with the external auditor of the Company; and
- (c) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and 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, the head of internal control or auditors;

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

- 5.8. to review the Company’s financial controls, internal control and risk management systems.
- 5.9. to discuss the risk management and internal control system with management and to ensure that management has performed its duty to have an effective internal control system. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial functions;
- 5.10. 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;
- 5.11. where an internal audit function is performed in the Company’s finance department, to review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- 5.12. to review the Group’s financial and accounting policies and practices;
- 5.13. 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;
- 5.14. to ensure that the Board will provide a timely response to the issues raised in the external auditor’s management letter;

- 5.15. to report to the Board on the matters set out in the Corporate Governance Code (the “Code”) in Appendix C1 of the Listing Rules;
- 5.16. to consider other matters, as required by the Board, to be performed by the Committee;

Others

- 5.17. 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 and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- 5.18. to act as the key representative body for overseeing the Company’s relations with the external auditor;
- 5.19. where the Board disagrees with the Committee’s view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the Committee explaining its recommendation and also the reason(s) why the Board has taken a different view;
- 5.20. to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- 5.21. to perform the Company’s corporate governance functions;
- 5.22. to review and monitor the training and continuous professional development of directors and senior management of the Company;
- 5.23. to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- 5.24. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- 5.25. to review the Company’s compliance with the Code and disclosure in the Corporate Governance Report of the Company.

6. REPORTING RESPONSIBILITIES

- 6.1. After each meeting, the Committee shall report formally to the Board on all matters within its duties and responsibilities.
- 6.2. The Committee should make available these terms of reference by including them on the Stock Exchange’s website and the Company’s website.

7. ANNUAL GENERAL MEETINGS

- 7.1. The chairman of the Committee shall attend the annual general meetings of the Company and be prepared to respond to any shareholder questions on the Committee's performance of its duties. If the chairman of the Committee is unable to attend, a Member of the Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company. Such person shall be prepared to respond to any shareholder questions on the Committee's performance of its duties.

8. AUTHORITY

- 8.1. The Committee is authorised by the Board to inspect all accounts, reports and records of the Company.
- 8.2. In order to fulfill its duties, the Committee has the right to request the management of the Company to provide any figures related to the financial status of the Company, its subsidiaries and associates.
- 8.3. The Committee is authorised by the Board to seek any financial information it requires from any employee of the Group, to require any of them to prepare and supply financial information and answer questions raised by the Committee.
- 8.4. The Committee is authorised by the Board to obtain outside external or other independent professional advice when necessary in connection with its duties at the Company's expense.

Note: All such arrangements of obtaining external legal or other independent professional advice may be made by the company secretary.

- 8.5. The Committee shall have access to sufficient resources in order to perform its duties.

9. SUPPLEMENTARY PROVISIONS

- 9.1. Upon approval by the Board, these terms of reference shall become effective.
- 9.2. These terms of reference shall be interpreted by the Board. If there is any inconsistency between the English version and the Chinese version of this terms of reference, the Chinese version shall prevail.